Latin America · Japan

The debt crisis ten years later · *A tough life for foreigners*

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Samuel Brittan

UK needs to sit out recession

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Invesco MIM

Board decides it is time for a change

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NEWSPAPER of THE YEAR

FINANCIAL TIMES

Thursday July 30 1992 · EUROPE'S BUSINESS NEWSPAPER · D8523A

Bundesbank's tight monetary policy condemned

The Bundesbank's tight monetary policy is astonishing and "absurd", according to the Berlin-based German Institute for Economic Research, which said the central bank risked undermining the entire east German restructuring process.

In the most outspoken attack so far on the latest Bundesbank move to raise interest rates, the institute warned that the discount rate rise from 8.0 to 8.75 per cent would increase, not curb, the growth of money supply. Page 14

Shias under fresh onslaught: Iraqi troops are intensifying attacks on Shia strongholds in the south of the country. Diplomats at the UN expect the Security Council to respond to the fighting within days. Page 14

Nikkei continues fall: Japanese finance ministry officials said there was "nothing" the ministry could do to prop up stock prices as the Nikkei market average lost 330.69 to close at 15,095.99, its lowest level since April 1986. In London equities made sharp gains, inspired by Wall Street's new-found strength. The Dow Jones industrial average ended 45.12 up at 3,379.19, based on early and unofficial data. Tokyo's low, Page 3; London stocks, Page 23; World stocks, Back Page Section II; Lex, Page 14

Ford Motor, US carmaker, reported second-quarter earnings of $502m, compared with a loss of $324m a year ago. Higher sales across the industry, helping to increase buyer discounts, were a prime factor in the turnround. Page 15; Ford of Europe results, Page 17

German champion loses to 'superbike'

Barcelona '92

Defending world champion Jens Lehmann of Germany was defeated in the 4,000m individual pursuit by Britain's Chris Boardman, on a Lotus "superbike", to gain his country its first gold of the Barcelona Olympics. In the tennis competition Sweden's Stefan Edberg, the second seed, was knocked out in the first round in straight sets by Andrei Chesnokov of the Unified Team. Olympics reports, Page 7

Commerzbank, smallest of Germany's big three banks, reported group profits – excluding securities trading results – up 14.7 per cent to DM875m ($594m) in the half-year to end-June. Demand from domestic customers had been "persistently brisk". Page 15

Toyota Motor appointed as president Tatsuro Toyoda, 63, a member of the carmaker's founding family, but said the next incumbent would probably come from the group at large. Page 15

International Business Machines shares firmed after the computer maker said at least 32,000 people would go in its job-cutting plan this year, well above earlier estimates. Page 16

BAT profits climb: Lower mortgage indemnity losses helped BAT Industries, UK tobacco and financial services group, raise pre-tax profits by 55 per cent to £645m ($1.24bn) in the six months to June 30. Page 17; Lex, Page 14

KIO deal collapses: A $2.5bn offer for the Kuwait Investment Office's industrial and property assets in Spain has been withdrawn by KIO's former Spanish partner, Javier de la Rosa. Each side blamed the other for the collapse. Page 20

Denmark may avoid new referendum: Denmark's MPs may decide by qualified majority vote whether to back a new deal on the Maastricht treaty rather than putting the matter to another referendum. Danish voters rejected the pact last month. Page 2

US coal suppliers may hit at EC: Washington may be asked by US coal producers to retaliate against the European Community for allegedly restricting US coal sales and disrupting world trade through subsidies to EC mines. Page 3

UK repossession threat: UK mortgage lenders warned that building societies could not check the flood of borrowers at risk of having homes repossessed. Latest figures show 305,140 mortgage accounts more than six months in arrears against 275,350 at the end of last year. Page 14; Towering failures, Page 12; Samuel Brittan, Page 13

BT, UK telecommunications concern, is set to cut more than 35,000 jobs this year as it seeks to maintain profits in the recession. Pre-tax profits in the first quarter fell 27.8 per cent to £596m ($1.1bn). Page 7; Results, Page 17; Lex, Page 14

■ STOCK MARKET INDICES		
FT-SE 100:	2,423.2	(+49.8)
Yield	5.05	
FT-SE Eurotrack 100	1,077.88	(+19.50)
FT-A All-Share	1,153.43	(+1.7%)
FT-A World Index	136.54	(+0.4%)
Nikkei	15,095.95	(−330.69)
New York:		
Dow Jones Ind Ave	3,379.19	(+45.12)
S&P Composite	422.21	(+4.69)
■ US CLOSING RATES		
Federal Funds:	3.0%	(3 1/8%)
3-mo Treas Bills: Yld	3.24%	(3.25%)
Long Bond	106 1/2	(106 3/32)
Yield	7.44%	(7.427%)
■ LONDON MONEY		
3-mo Interbank	10 1/8%	(10 3/16%)
Liffe long gilt future:	Sep 98 1/2	(Sep 98 7/16)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Sep)	$20.675	(20.75)
■ Gold		
New York Comex (July)	$356.5	(358.9)
London	$356.85	(358.45)

■ STERLING		
New York:		
$	1.9215	(1.931)
London:		
$	1.917	(1.9285)
DM	2.845	(2.8425)
FFr	9.61	(9.605)
SFr	2.5325	(2.515)
Y	245.25	(246)
£ Index	92.3	(92.4)
■ DOLLAR		
New York lunchtime:		
DM	1.4815	(1.473)
FFr	5.0010	(4.976)
SFr	1.318	(1.30365)
Y	127.815	(127.4)
London:		
DM	1.484	(1.474)
FFr	5.0125	(4.98)
SFr	1.321	(1.3035)
Y	127.9	(127.6)
$ Index	60.5	(60.3)
Tokyo close Y 127.90		

Austria	Sch30	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

Former defence secretary indicted as part of probe into bank failure

Key BCCI figures charged in US

By Alan Friedman in New York and George Graham and Matthew Kaminski in Washington

THE MOST SWEEPING charges to date against former executives, shareholders and associates of the collapsed Bank of Credit and Commerce International were brought yesterday by the US authorities in a carefully co-ordinated operation.

Those involved were accused of being part of a "sophisticated and corrupt criminal enterprise" which bribed and cheated its way across the world to gain power and money.

Among those charged in New York and Washington with fraud, bribery, conspiracy, larceny, and racketeering was Mr Clark Clifford, the 85-year-old former US defence secretary and a leading figure in the Democratic party.

Charges were also brought against Mr Agha Hasan Abedi, BCCI's ailing founder, Mr Swaleh Naqvi, former chief executive of BCCI, and Mr Ghaith Pharaon, the Saudi Arabian financier.

The indictments also allege that "huge bribes" were paid by BCCI to bank regulators and senior central bank officials in Pakistan, Nigeria, Morocco, Senegal, Tunisia, Ivory Coast, Congo, Zambia, Argentina and Peru. These payments were allegedly made to ensure favourable treatment for BCCI and to cover up deceitful banking practices in which BCCI was engaged.

Mr Robert Morgenthau, Manhattan district attorney, said that, as a result of the bribes, frauds were perpetrated on the World Bank, the International Monetary Fund, the Nigerian National Supply Company and the African Development Bank.

Mr Clifford and Mr Robert Altman, his law partner who was also charged, were briefly placed under arrest in New York yesterday and indicted for criminal conduct, including receiving bribes, conspiracy and a scheme to commit fraud.

PAGE 6
■ The $20bn global sting
■ The BCCI indictments
■ $105m fine unlikely to be a burden to Adham

The charges against them stem from their roles in the allegedly illegal acquisition by a BCCI holding company of First American Bankshares, Washington's biggest bank. Mr Clifford and Mr Altman were respectively chairman and president of First American.

In a related development, it was disclosed that Sheikh Kamal Adham, former head of Saudi intelligence, flew from his home in Cairo to New York on Monday to sign a plea bargain agreement that allowed him to avoid more serious indictments.

Sheikh Kamal admitted in court that he was part of a group which secretly and illegally gained control of First American's New York operations.

He pleaded guilty to violating New York banking law, agreed to pay a $105m fine and promised to co-operate with US prosecutors and testify in the forthcoming BCCI trial.

The charges, filed a year to the day after the first indictments in the US, come as the Serious Fraud Office in London continues to conduct a detailed investigation into the UK aspects of the BCCI fraud.

The British government this week received a confidential report by Lord Justice Bingham which is expected to criticise the regulatory authorities, led by the Bank of England, for failing to monitor BCCI properly.

Mr Morgenthau said the indictment "spells out that this massive fraud was not just a criminal fraud scheme, as we charged last year, but a sophisticated and corrupt criminal enterprise, organised from the top down to do just this – accumulate money and gain the power and prestige that the money provided".

In Washington, Messrs Clifford and Altman were indicted on charges of conspiring to defraud the Federal Reserve Board and of concealing material facts relating to BCCI. At the same time, the Fed said it had begun civil proceedings to determine whether the two should be barred permanently from banking.

In addition to charges of grand larceny and bribery Mr Abedi, BCCI's former chairman, and Mr Naqvi, were also charged with racketeering along with Mr Pharaon and Mr Faisal Saud Al Fulaij, a Kuwaiti businessman.

Mr Morgenthau said the four were "members of a corrupt enterprise, the BCC group, that set up and conducted BCCI as a criminal conspiracy that bribed central bankers, government officials and others to gain power and money".

Honecker flown to Berlin to face trial

Former East German leader Erich Honecker leaves the Chilean embassy in Moscow yesterday

By Leslie Colitt in Berlin, Quentin Peel in Bonn, and Agencies

THE UNDIGNIFIED tug-of-war over the future of Mr Erich Honecker, the former East German communist leader and head of state, ended last night when he was flown to Berlin from Moscow to face trial for the manslaughter of East Germans shot while trying to escape to the west.

Months of negotiations between Germany, Russia and Chile, in whose Moscow embassy Mr Honecker took refuge for eight months to avoid extradition, came to a head when he was removed from the embassy and taken to a military aircraft at Moscow's Vnukovo airport.

The 79-year-old hardliner, who led East Germany for 18 years until his removal in 1989, landed last night at Berlin's heavily guarded Tegel airport and was expected to be taken straight to the city's Moabit prison.

Mr Honecker faces charges of manslaughter in connection with the deaths of 49 East Germans who were shot at the border while trying to escape to the west between 1961 and 1989.

He is accused of ordering border guards to prevent would-be defectors from reaching West Germany by using all means at their disposal.

His wife Margot, who also faces possible criminal charges, remained in Moscow.

One question to be answered is whether Mr Honecker will be fit to stand trial, having undergone an apparently successful operation for cancer of the kidneys in 1990. He was due to be given a medical examination at Moabit prison.

The other doubt concerns the legal basis of the charges against him.

An 800-page indictment has been drawn up by the Berlin department of justice, accusing Mr Honecker and five fellow leaders of the communist government of complicity in the killing of would-be refugees at the Berlin Wall and the border with West Germany.

The problem is to make the charges stick in terms of the law of East Germany which was prevailing at the time.

The Berlin authorities have levelled the charges on three fronts: that Mr Honecker and his colleagues, including Mr Erich Mielke, the former head of the

Continued on Page 14

Pledge of $152m for Yugoslav refugees

By Robert Mauthner and Frances Williams in Geneva

GOVERNMENT representatives attending the special 60-nation conference on the refugee crisis in former Yugoslavia have pledged more than $152m to help the stricken populations of the region.

Mrs Sadako Ogata, the United Nations high commissioner for refugees, who had launched the appeal for funds, said that it had been a good day for the refugees and displaced and distressed people of the former Yugoslavia.

The conference agreed to establish a follow-up committee which will study detailed solutions to the refugee crisis.

Most participants said they were prepared to keep open their borders to refugees and displaced persons, though no finite numbers were mentioned, Mrs Ogata said.

Baroness Chalker, the British overseas aid minister, said Britain was willing to take only special categories such as orphans and wounded children.

The high commissioner said one of the most important elements of a solution agreed by the conference was that refugees should ultimately return to their land of origin and homes.

But there was continuing disagreement between most of the participants and a small group of countries led by Germany about Bonn's proposal that refugee quotas should be fixed country by country to ensure a more equitable distribution of the burden.

Britain and France were in the forefront of those against such a system, as were the US and the high commissioner herself.

While all of these countries were against a precise refugee distribution system, the US said that Bosnians were now eligible to apply for "temporary protected status", while France said it was ready to issue temporary permission for the victims of the fighting in Bosnia and other parts of the former Yugoslavia.

There was wide agreement, however, on giving priority to a solution under which the displaced would be encouraged to remain as close to their home territories as possible.

UN calls for big effort, Page 2

Italy's emergency economic package clears main hurdle

By Robert Graham in Rome

THE ITALIAN government's L30,000bn ($26.3bn) emergency economic package cleared its main hurdle yesterday when the chamber of deputies approved the measures by an ample majority in a motion of confidence.

However, the troubled state of Italian party politics was underlined by the resignation of the Christian Democrat Mr Enzo Scotti as foreign minister.

His resignation was prompted by a long-running feud within the Christian Democrat party over a controversial decision demanding that all cabinet members renounce their parliamentary seats.

Mr Claudio Vitalone, the foreign trade minister, also under pressure, decided to give up his senate seat rather than his ministerial portfolio.

Mr Scotti in particular was deeply unhappy about resigning his seat in Naples. Parliament was due to decide yesterday on the position of the 10 Christian Democrats in the 24-strong cabinet who were meant to resign their seats. A former interior minister, Mr Scotti was never at ease in the foreign ministry.

It was not clear whether his move yesterday was an attempt to persuade the party, which has yet to agree on a new secretary-general, to reverse its decision, or indeed whether he could be persuaded to change his mind.

Now that the chamber of deputies has approved the economic package, which mixes revenue cuts with increased taxes and a one-off tax on bank deposits, ministers are confident it will also be passed by the Senate

That would clear the way for planning the 1993 budget. This is due in September and will seek to raise an extra L83,000bn next year in revenues and spending cuts to reduce Italy's huge public sector deficit, it was revealed yesterday. The 1992 deficit is likely to be L150,000bn against the original L128,000bn.

The lira strengthened to 755.9 against the D-Mark yesterday in anticipation of a favourable outcome. This compared with nearly 761 a week ago, not far off its 765 floor within the exchange rate mechanism.

The month-old government, headed by Mr Giuliano Amato, imposed a confidence vote on the chamber of deputies in order to speed up implementation of the package. Opposition deputies had put forward 651 amendments, but these were ruled out by the main 318-246 vote.

In the 630-seat house, the government coalition of Christian Democrats, Socialists, Social Democrats and Liberals has a 16-seat majority and a three-line whip was enforced by the government. The comfortable margin was largely due to abstention by deputies of the breakaway communist grouping, Reconstructed Communism.

Parliament must now turn its attention to discussion of special powers being sought by the government to address reforms of the health service, the civil service, pensions and local government finance.

Resignation details, Page 2

CONTENTS

California and a right-wing pundit give White House warning

Setback for Bush on two fronts

By Jurek Martin in Washington

US PRESIDENT George Bush's struggling re-election campaign was hit by more bad news from the West and from the right yesterday.

A Field Poll in the state of California found Governor Bill Clinton of Arkansas, the Democratic nominee, leading Mr Bush by 62 per cent to 28 per cent. In the survey's 45-year history, this is the largest margin at this late stage of a presidential race. In previous hypothetical match-ups, Mr Bush usually held a comfortable edge over Mr Clinton, though both trailed Mr Ross Perot before he pulled out. Republican candidates have carried California in five of the last six presidential elections. The rest of the West, where Mr Clinton has been campaigning hard in the last few days, has been less solid. It now looks even more fragile if another state poll this week, in Washington, is any guide. It found Mr Clinton ahead by 56 to 32 per cent.

The discontent from the right, already patent, came yesterday in the shape of a newspaper column by George Will, probably the country's best known conservative pundit, whose fulminations against Mr Bush have been growing ever more thunderous.

Calling Mr Bush "a figure of genuine pathos" and his administration "tired and arrogant", Mr Will in effect called on the president to give up the re-election ghost.

"For Republicans," he wrote, "the grim paradox is that the reason he should not run is the reason he will. He should not, because he has no reason to, other than an ambition eerily disconnected from any agenda. But he will run because he regards a public purpose as ornamental, as a mere filigree on a quest for office."

If Mr Bush pulled out, Mr Will went on from his Washington pulpit, "two things would happen. The intellectual claustrophobia of this city and the Republican Party will be instantly dissipated. And the Clinton-Gore bandwagon would be eclipsed until after the Republican convention ends on August 20."

Mr Will did not say who should succeed Mr Bush as *Republican candidate. Nor did* Mr Al D'Amato, the Republican senator from New York, who also said earlier this week that the president might well not run again. Mr D'Amato, it was thought, was merely trying to put a little distance between himself and the president so as to help his own re-election campaign.

It has been very fashionable on the right to say that the real problem on the Republican ticket is not the vice-president, Mr Dan Quayle, whose future has been the subject of speculation, but the president himself. Some have been arguing that it would be better for the conservative movement for Mr Clinton to make a mess of things as president rather than to have four more years of drift under Mr Bush.

The Bush campaign has been trying to shore up the conservative base. Mr Jack Kemp, the housing secretary, now probably will get a speaking slot in Houston, as may Mr Pat Buchanan, the early primary challenger.

The former president, Mr Ronald Reagan, is to kick off the convention with an opening night keynote address on foreign policy.

Denmark's MPs may decide on Maastricht pact

By Hilary Barnes in Copenhagen

DENMARK'S parliament may take responsibility for approving any new deal on the Maastricht treaty rather than putting the matter to another referendum. It suffered a humiliating defeat when Danish voters rejected the pact – which it had supported strongly – in a referendum early last month.

However, several leading politicians said yesterday after a meeting of the Folketing's powerful Market Affairs Committee that when Denmark's future relationship with the European Community had been worked out, MPs might settle for approval by a qualified majority vote in the Folketing.

Denmark is likely to seek a deal which enables it to opt out of those parts of the Maastricht treaty to which the electorate is thought to be most strongly opposed, while participating in other parts to which the electorate *is thought to be* less averse.

For example, Denmark will not agree to participate in any form of European defence policy and will not commit itself to economic and monetary union (Emu) or to the treaty's clauses on police and legal co-operation. But there is no objection to the sections on environment policy or the so-called social dimension.

The Danes' negotiating position with their partners is quite strong, as the treaty cannot be implemented without the signatures of all 12 member states.

The exact shape of the agreement they are seeking is still very much a matter for speculation and discussions in the country are only in the early stages. The other 11 EC member states will begin to react only when they have seen what the Danes propose.

However, two things can be ruled out. First, there will be no new referendum on an unchanged treaty text. Second, Denmark will not demand a completely new Maastricht treaty. An official of the prime minister's office denied yesterday a news agency report that the country would seek a new basis for the treaty.

Since the referendum, the two-party conservative-liberal minority government headed by Mr Poul Schlüter has closely involved all eight parties represented in the Folketing – including the two "No-to-Maastricht" parties, the right-wing populist Progress Party and the left-wing Socialist People's Party – in the discussions on what Denmark's next step should be.

A more precise idea of what Denmark wants will emerge when a white paper setting out the options is published in the autumn, some time after the French referendum on September 20.

Significantly, The opposition Social Democratic Party (pro-Maastricht) and the Socialist People's Party (anti-Maastricht) do not rule out parliamentary, as opposed to popular, approval. Constitutionally, this would be in order. A treaty devolving sovereignty to an international organisation must be approved either by a five-sixths majority in the Folketing or by a referendum.

As the kind of deal which Denmark will probably seek is unlikely to involve new devolution of sovereignty, even a majority of less than five-sixths would be sufficient.

A RECORD 76 per cent of French voters believe they are badly governed, a level of discontent that could affect the September referendum on European union, according to an opinion poll published yesterday, Reuter reports from Paris.

The BVA-Paris Match poll did not ask about voting intentions in the September 20 referendum on the Maastricht Treaty, but Mr Pierre Giacometti, BVA political director, said the Socialist government's deep unpopularity could trigger a protest vote.

Asked whether they were satisfied or discontented with the way France was governed, 30 per cent said they were very discontented and 46 per cent rather discontented. Seventeen per cent said they were rather satisfied and only one per cent said they were very satisfied.

The number of people with a good opinion of President François Mitterrand fell by *three points to 35 per cent and* Prime Minister Pierre Bérégovoy's rating fell by seven points to 41 per cent.

Approval of treaty assured in Greece

By Kerin Hope in Athens

THE GREEK opposition has assured the conservative government of an overwhelming majority in favour of the Maastricht treaty in a parliamentary vote tomorrow by giving the pact its backing.

Mr Andreas Papandreou, the Greek opposition leader, told a parliamentary debate that he supported ratification despite concern about Greece's ability to participate in European union.

He said Maastricht gave Greece an opportunity to compete in "a difficult and unfair race. Unfair because we are last on the starting block and because the treaty defines the interests of the rich north."

With the support of Mr Papandreou's Panhellenic Socialist Movement (Pasok), the government is assured of victory. Only seven hardline Communist deputies in the 300-member house are expected to vote against ratification.

Pasok's decision should also make the Economy Ministry's task easier when it launches fresh austerity measures aimed at achieving convergence with the rest of the EC by 1997. A consensus, however grudging, on the need for reform is expected to soften the impact of continued wage curbs, pension cuts and higher unemployment as jobs disappear in the public sector.

The government has brought the ratification process forward by several months. It was originally due to happen in November, when Greece's application to join the Western European Union is likely to be approved.

Speeding up the timetable is intended to underline Greek appreciation of EC support for its view that the former Yugoslav republic of Macedonia should not be recognised under its present name, according to government officials.

The government also hopes to distract attention from what most Greeks will consider a serious diplomatic defeat over accession to the WEU.

By joining the WEU, Greece had hoped to secure a guarantee against the perceived threat to its security from Turkey, its Nato ally. Under Article 5 of the pact, WEU members are obliged to assist each other if attacked. But last month the WEU ruled that the assistance clause does not apply to wars between allies.

NEWS IN BRIEF

German warning on right-wing terrorism

THE radical right-wing in Germany now presents as big a threat to internal security as left-wing urban guerrillas once did, the government said yesterday, Reuter reports from Bonn.

At least 4,400 of the 40,000 right-wing extremists in Germany are prone to violence and some may want to stockpile weapons for possible terrorist attacks, it said in a written answer to a query in parliament. "The government takes the dangers to internal security arising from right-wing extremism and xenophobia as seriously as the left-wing extremist attacks of the 1970s," it said.

Skinheads make up 4,200 of the 4,400 violent right-wingers identified by Bonn's internal security watchdog, the Federal Office for the Protection of the Constitution (BFV). The Ku Klux Klan from the US was also active in providing neo-Nazi propaganda, the government said.

Yeltsin to seek stronger powers

The Russian president, Mr Boris Yeltsin, said yesterday that he wanted a new constitution to be passed in 1993 granting him the right to rule by decree and appoint top executives for a transitional period, Reuter reports from Moscow.

Mr Yeltsin told a constitutional commission meeting in the Kremlin that the existing constitution hindered Russia's reforms. He presented an eight-point list of proposals, including the abolition of Russia's highest legislature, the Congress of People's Deputies, which has impeded Mr Yeltsin's reforms in the past.

US aircraft join hunt for Escobar

Six US military aircraft with surveillance equipment yesterday joined the search for escaped Colombian drug baron Pablo Escobar, Reuter reports from Bogotá.

Their search was concentrated around the city of Medellin where Escobar headed his powerful cocaine cartel, and from where he escaped from jail with nine others last week.

Romanian sell-off makes progress

The Romanian government yesterday approved by decree the statutes of the five Public Ownership Funds which, together with the recently created State Ownership Fund, form the basis of the country's privatisation scheme, writes Virginia Marsh in Bucharest.

The National Privatisation Agency (NPA) can now press ahead with hiring staff and setting up the funds which will manage and hold the equity of the 6,200 commercial companies due to be privatised over the next seven years.

French truck siege amnesty

France's Justice Ministry yesterday asked state prosecutors to drop charges against most lorry drivers who paralysed roads earlier this month with a 10-day strike, Reuter reports from Paris. But the justice minister, Mr Michel Vauzelle, told prosecutors in a letter to continue to press charges against protesters who used violence.

He asked that charges for blocking highways be dropped "for the sake of calming the atmosphere" in negotiations now under way.

UN calls for big international effort to aid Yugoslav victims

By Frances Williams and Robert Mauthner in Geneva

THE United Nations yesterday called for concerted action by the world community to assist victims of the conflict in the former Yugoslav republics.

Mrs Sadako Ogata, United Nations High Commissioner for Refugees, urged countries to extend temporary protection for refugees and called for the "massive mobilisation" of international assistance for victims of the conflict, in and outside the war zones.

In a paper presented to ministers and officials of more than 50 countries, attending an international conference in Geneva on the refugee crisis, Mrs Ogata said political solutions must be founded on humanitarian principles, in particular the right of refugees to return to their homes "in safety and dignity".

The paper outlines seven basic humanitarian principles on which international action should be based.

A detailed plan of action will be worked out by a co-ordinating committee comprising a "core group" of countries directly involved, to include the former Yugoslav republics, neighbouring states and the European Community. The committee is expected to start work today.

The UNHCR's seven principles begin with respect for basic human rights and humanitarian law, to be reaffirmed by all parties in the conflict, and a plea for preventive action wherever possible to prevent expulsions and persecution.

The number of aid workers in areas of tension should be increased, the paper says, adding that relief workers must have access to those in need and guarantees of safe passage.

The UNHCR also argues for *provision of on-the-spot medical* treatment wherever possible to minimise the need for evacuation of sick and injured people, including children.

Governments are urged to give temporary protection without restriction or discrimination to those fleeing the conflict. Because of the large numbers involved, UNHCR believes "it is not practical to use individual asylum procedures".

Although needs have yet to be assessed in detail, the UNHCR calls for urgent support for countries overstretched by huge inflows of refugees, funding for winter shelter and fuel for at least half a million people within the republics.

Reuter adds from Bonn: Germany agreed to take in another 5,000 Bosnian refugees before the UN ended its emergency conference on helping displaced people in former Yugoslavia.

The 16 federal German states, already caring for 5,600 Bosnians brought by special trains to Germany at the weekend, agreed to accept a second wave as soon as possible.

Yugoslav Prime Minister Milan Panic said yesterday he would go to Sarajevo again to try to stop the fighting between the Moslem, Croat and Serb factions, Reuter reports from London. *Mr Panic was speaking after meeting Mr John* Major, his British counterpart. Both men are pictured above in Downing Street.

Meanwhile, leaders of Bosnia's factions agreed to set up an international committee to help organise a ceasefire, exchange prisoners of war and oversee other humanitarian relief. However, they failed to agree to any political issues in three days of peace talks in London, said EC representative José Cutileiro.

The biggest aid convoy to reach Sarajevo by *road arrived in the besieged Bosnian capital* yesterday. A United Nations spokesman said 21 UN trucks had arrived, carrying 170 tonnes of desperately needed food supplies.

The convoy took an overland route from the Adriatic coast, which UN officials hope could replace the expensive airlift to Sarajevo.

UN chief endorses further security duties in Croatia

By Michael Littlejohns, UN Correspondent, in New York

MR BOUTROS Boutros Ghali, the UN secretary-general, yesterday proposed a further enlargement of the world body's responsibilities in Croatia, despite his earlier complaint that it was already over-extended in former Yugoslavia.

He endorsed "with some misgiving" a recommendation by General Satish Nambiar, the UN force commander on the ground, that his staff be authorised to control civilian entry to UN-protected areas and exercise immigration and customs functions at their borders.

Also, the secretary-general said there was a possibility of establishing a UN military presence in the Prevlaka Peninsula, between Dubrovnik and Serbia-Montenegro, to ensure that it stayed demilitarised.

In seeking a Security Council mandate, he stressed that his recommendations illustrated how the situation in former Yugoslavia had brought about the UN's involvement in "quasi-governmental functions which go beyond normal peace-keeping practice".

This had "major resource implications" and might stimulate demands for yet deeper UN involvements in this troubled region.

He voiced his reservations about this, in the light of the many other demands on the UN's attention and resources, *but Gen Nambiar had made a* stong case and, on balance, he believed this must be accepted if the effort already invested in Croatia were not to be undermined.

For the new duties, he recommended an increase in the civilian staff attached to the force and promised a report on the financial implications shortly.

The operation is already more than $80m in the red.

● Croatia and Serbia have agreed on the release of all prisoners from their conflict in Croatia, the International Committee of the Red Cross (ICRC) said yesterday, Reuter reports from Geneva.

The ICRC said Mr Milan Panic, the Yugoslav prime minister, and Mr Mate Granic, the Croatian deputy prime minister, had agreed to release *the remaining 1,200 prisoners* under ICRC auspices by August 7. The ICRC said it had already helped secure the release of 4,000 prisoners from the conflict.

Armenians 'advance in Karabakh'

ARMENIAN fighters in the disputed enclave of Nagorno-Karabakh have recaptured several villages and killed about 100 Azerbaijani troops, Armenian reports said yesterday, AP reports from Moscow.

The Armenian side suffered six dead and 16 wounded over the last two days while recapturing five villages in the Mardakert district of Nagorno-Karabakh, the reports said.

In addition, three people were killed and two wounded in Azerbaijani shelling of two Armenian villages before dawn yesterday, the reports said.

The Azerbaijani losses in the fighting are said to have consisted of no less than 100 troops.

There was no comment from the Azerbaijani side.

Meanwhile, Azerbaijan unilaterally freed 19 Armenian hostages who were flown yesterday from the capital of Baku to Tbilisi in Georgia. Russian television said Azerbaijan was hoping for a reciprocal Armenian gesture.

Armenians and Azerbaijanis have been fighting for four years for control over Nagorno-Karabakh, a mostly Christian Armenian region within the predominantly Moslem Azerbaijan.

Reuter adds from Rome: A new round of peace talks to seek an end to fighting in Nagorno-Karabakh will start in Rome tomorrow, the Italian foreign ministry said.

The statement by Italy, which is chairing the 11-nation talks, said the latest round would run from July 31 to August 4.

A third round of Rome talks, which was meant to pave the way for a fully-fledged peace conference under the auspices of the Conference on Security and Co-operation in Europe in Minsk, ended in stalemate early this month.

"The Italian presidency expects that the round. . . will lay the concrete bases for a real end to hostilities in the region and to remove the obstacles which have until now prevented the calling of the Minsk peace conference," the statement said.

● Russian peace-keeping forces yesterday began deploying in Trans Dnestr. The secessionist region of eastern Moldova, with a Slavic majority, has been seeking independence from Moldova, dominated by ethnic Romanians, AP reports.

The peace-keepers flew in under an accord signed by presidents Boris Yeltsin of Russia and Mircea Snegur of Moldova last week in an effort to end the fighting which has killed more than 600 people since March.

Last week's peace accord grants Trans Dnestr a special status within Moldova.

Brussels ruling on perfume marketing

By Andrew Hill in Brussels

THE European Commission has outlawed the establishment of an elite list of top brands of scent which could restrict competition in the distribution of luxury perfumes.

But at the same time Brussels has underlined its basic approval of the way in which high-prestige, image-driven perfumes are sold in the EC through selected distributors.

The Commission yesterday redefined the system operated by Parfums Givenchy, the French luxury scent company.

Its investigation found that Givenchy was preventing its distributors from stocking competing brands which were not on a list drawn up by the manufacturer.

The practice could have restricted the prestige market to an elite dozen or so brands, but Givenchy and its competitors will now have to delete such clauses from their distribution contracts.

Under a deal with the Commission, Givenchy cannot prevent new distributors from joining the network except on quality grounds, such as their location or the cleanliness of the store.

The Commission has also outlawed contract clauses which set unreasonably high sales requirements, and restrict the sale of perfumes between authorised retailers.

EC competition rules allow luxury perfume to be sold through selected distributors.

Lufthansa to scrap some US flights

LUFTHANSA, *the German* state-controlled airline, plans to reduce services between the United States and Germany, a company spokesman said yesterday, Reuter reports from Frankfurt.

He *said the airline* would stop flying its route from Frankfurt to Charlotte, North Carolina, and end the final leg of its Frankfurt-Montreal-Philadelphia service.

Foreign minister resigns in Italy

By Robert Graham in Rome

ITALY'S foreign minister, Mr Enzo Scotti, resigned his portfolio yesterday.

His resignation was prompted by a long-running feud within the Christian Democrat party over a controversial decision demanding that all cabinet members renounce their parliamentary seats.

Mr Claudio *Vitalone, the foreign* trade minister, also under pressure, decided to give up his senate seat rather than his ministerial portfolio.

Mr Scotti had been deeply unhappy about resigning his seat in Naples. A former interior minister, he was never at ease in the Foreign Ministry. However, it was not clear whether his move yesterday was an attempt to persuade the party, which has yet to agree on a new secretary-general, to reverse its decision, or indeed whether he could be persuaded to change his mind.

If Mr Scotti's resignation is accepted, Mr Giuliano Amato, the prime minister, will be forced into awkward discus*sions* with the Christian Democrat leadership on who should succeed him. The cabinet was based on a careful balance of Christian Democrats, Socialists, Social Democrats and Liberals backed by six "technical ministers".

At the end of June, just prior to the formation of the government, the Christian Democrat party leadership introduced a controversial rule that all ministers entering the government had to resign their seats. The move was intended to demonstrate a minister's independence from the parliamentary party.

However, many Christian *Democrats felt* the move was unnecessary and at the same undermined the confidence of the electorate which had voted specifically for them as parliamentary candidates. Mr Renato Altissimo, leader of one of the junior parties in *the coalition*, the Liberals, said Italy was now used to frequent crises caused by the Christian Democrats' party wranglings. "The worst thing that could happen is if this story turned into a stumbling block for the government," he said.

Debt forces out Finnish minister

THE Finnish trade and industry minister, Mr Kauko Juhantalo, asked by his Centre Party to stand down after reports he was being sued for debt, sent an open letter of resignation to President Mauno Koivisto yesterday, Reuter reports from Helsinki.

"I hereby respectfully request I be relieved of membership in the cabinet," he wrote. Mr Koivisto is scheduled to accept Mr Juhantalo's resignation on Monday, when he will also appoint his successor. The Centre Party meets today to nominate the replacement.

Mr Juhantalo, 50, confirmed that companies of his were being sued for more than $1m in a local court.

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NEWS: INTERNATIONAL

Market in Tokyo falls to fresh low

By Robert Thomson in Tokyo

THE Japanese government watched nervously yesterday as the Tokyo stock market average neared the 15,000 level, once viewed within Japan as the lower limit for a stock-price fall that began two and half years ago.

Ministry of Finance officials said there was "nothing" it could do to prop up stock prices. The "market must decide" if the Nikkei average was to continue its fall. Yesterday the Nikkei lost 330.69 to close at 15,095.99, the lowest level since April 1986.

The continuing lack of confidence prompted Mr Kiichi Miyazawa, the prime minister, to call on government ministries to speed preparations for a supplementary budget due next month.

However, the Finance Ministry, responsible for the budget, said it would be difficult to achieve. The extent of the budget is still unclear, though estimates have ranged from Y5,000bn ($40bn) to Y8,000bn ($64bn). Most of the money will be used for infrastructure. The ministry also rejected a suggestion by Mr Michio Watanabe, deputy prime minister, that government organisations purchase land to bolster a still weakening property market.

The government's main concern is the stock market, which failed to draw encouragement from a cut in official interest rates on Monday or a convincing performance by the ruling Liberal Democratic party in an Upper House election on Sunday.

Brokers said many feared the Nikkei average would drop sharply once the 15,000 level was passed but financial institutions appeared to enter the market to try to stem the fall.

A tired Japanese trader rubs his eyes on the Tokyo stock market. Brokers fear the Nikkei average could fall well below the 15,000 mark over the next few days, despite intervention from financial institutions.

Japan may take tougher action on monopolies

By Robert Thomson

THE Japanese government will promise to be more vigilant in policing anti-monopoly laws and to reform the country's convoluted distribution system. The promise is contained in a review of the Structural Impediments Initiative (SII) agreement, expected to be released by Japan and the US today.

However, the two countries were still negotiating late last night on what should be done about the *keiretsu*, the Japanese corporate groups which, the US argues, tend to exclude outside suppliers.

Japan says the groups are not exclusive but are conducive to stable business contacts and long-term profitability.

The US was also not satisfied with progress in reforming Japanese land use laws or the balance between savings and investment. As these arguments suggest, the SII is intended to deal with "structural" issues that Washington believes are behind Japan's persistently large current account surplus.

A senior US administration official said yesterday consumer demand had to be encouraged in Japan, in the long and short term.

During the two-day talks Washington maintained that slowing domestic economic growth had increased the country's trade surplus and urged Tokyo to adopt policies to stimulate the economy as quickly as possible.

Japanese officials berated the US for having kept virtually none of the promises it made two years ago, when the two countries finalised the SII agreement.

They complained about the burdensome US budget deficit and US corporate culture, which they said was too focused on the next quarter and lacked long-term planning.

Coal producers in US consider anti-EC action

By Andrew Hill in Brussels

US COAL producers may ask Washington to retaliate against the EC for alleged restriction of US coal imports and disruption of world trade with hefty subsidies to Community coal mines.

The National Coal Association (NCA) of the US is considering action because British Coal has complained to the European Commission about alleged "dumping" of cheap US coal in the European market.

That complaint has been stalled in Brussels since February because of the political sensitivity of the case.

But the NCA has now raised the temperature with a letter to Mrs Carla Hills, the US trade representative. In the letter, it denies the dumping charge and says it is examining possible "defensive action" under Section 301 of the 1988 US trade act, which provides for retaliation against third countries.

The NCA adds that it is considering "the option of an anti-trust claim" against British Coal and other EC complainants, although the basis for such a claim is unclear.

If the NCA asks Mrs Hills to look at EC subsidies under Section 301, she will have to launch an investigation, although it is up to President George Bush to decide whether retaliation would be politically advisable.

A formal investigation would certainly increase trade tension with the EC and add to a growing list of bilateral disputes between the trading partners over such issues as oilseed subsidies, steel dumping, and public procurement legislation. It could also damage the chances of agreement in the Uruguay Round of world trade talks.

The European Commission is acutely aware of its vulnerability to counter-claims on coal subsidies. Most European producers charge well above the world market price for coal, with German and Spanish mines among the most heavily subsidised.

The framework policy for such aid expires at the end of next year and the Commission's energy directorate has prepared controversial proposals for a replacement system which would try to bring the highest coal production costs in the Community down to the 1992 average of around Ecu110 (£77.77) per tonne by 1997.

France and Britain are already producing coal at below the average cost, but Germany – which produces at Ecu137 per tonne – and Spain would both have to cut costs. If they failed they would be disqualified from further operating aid until they had closed inefficient mines.

The Commission – which also wants to introduce greater transparency into aid schemes – is likely to approve the new scheme and submit it to EC ministers in the autumn, but it will then require the unanimous approval of member states.

NEWS IN BRIEF

Australian inflation rate falls to 1.2%

Australian inflation fell to an annual rate of 1.2 per cent in the three months to June, compared with 1.7 per cent in the previous quarter, the government said yesterday, Kevin Brown reports from Sydney.

Officials said inflation was at its lowest since March 1964. The announcement also gives Australia one of the lowest rates of inflation in the Organisation for Economic Co-operation and Development (OECD). Analysts said the unexpectedly sharp reduction in the annual rate would allow the Reserve Bank of Australia to consider further cuts in interest rates.

Rates have fallen 12 times to 5.75 per cent since peaking at 18 per cent in early 1990. Mr Paul Keating, the Labor prime minister, said the outcome was "a marvellous result" which showed that the government had "broken the inflation stick".

The conservative opposition, which leads the government in opinion polls, said the fall in inflation reflected the depressed state of the economy following a weak recovery from nearly two years of recession. The consumer price index fell by 0.3 per cent in the June quarter following a zero increase in the three months to March.

Sino-Russian aircraft barter deal

A private Chinese company traded 500 train wagon-loads of light industrial goods for four TU-154M passenger jets from Russia in a deal worth $308m, the New China News Agency said, Reuter reports from Beijing.

The official agency did not give a date for the deal, which it called the biggest single-contract non-governmental barter trade between China and Russia. It said the company involved was the Nande Economic Group, which yesterday joined with a state-owned foreign trade company, New Times, to form a group aimed at boosting business with the Commonwealth of Independent States and eastern Europe.

The new organisation comprises more than 100 state enterprises from all over China, the agency said.

Mexican threat over Irish beef

The Mexican government is threatening to confiscate and destroy about 5,000 tonnes of Irish beef, worth about $10m, which has been exported to Mexico by meat export companies in Denmark, Ireland and Britain, according to Mr Niels Juul, of the Danish Bacon and Meat Council, write Hilary Barnes in Copenhagen and Damian Fraser in Mexico City. The beef, from EC intervention stocks, is at present either in cold store in Mexico or on ships waiting in the Mexican port of Tampico.

However, a Mexican official denied yesterday that the government intended to destroy or confiscate the meat. Of the shipment, 524 tonnes would be allowed to be sold; 2,300 tonnes would have to be sent back immediately, and the rest at a later date, to Ireland. Samples of the meat had been tested and found biologically contaminated. In the EC view, increasing resistance among Mexican farmers to beef imports from European stocks appears to be behind the Mexican action.

UN plans airlift for Somalia

The United Nations special envoy in Somalia said yesterday that the international airport in war-shattered Mogadishu would re-open for an emergency airlift and that 50 UN military observers would be deployed in the city soon, Julian Ozanne writes from Nairobi.

Mr Mohamed Sahnoun, a UN ambassador who on Tuesday met one of Somalia's feuding warlords, appears however to have made little headway with negotiations to send in 500 UN guards to protect humanitarian operations in Somalia, where up to 4.5m people are in need of food aid.

UK wins Turkish contract

Taylor Binnie and Partners, the UK water consultant, has been asked to design the next stage of the $3bn Greater Istanbul sewerage project, writes John Murray Brown in Ankara. Taylor Binnie will design a major treatment centre at Riva, on the Black Sea, together with a 28km sewer to serve the Asian side of the Bosporus. The contract is part of a World Bank-funded project.

Madagascar coup plot foiled

Gunmen in Madagascar yesterday staged a bizarre three-hour coup attempt which was reported in the press before it happened but they surrendered to the armed forces when it failed to win popular support, Reuter reports from Antananarivo.

The prime minister, Mr Guy Willy Razanamasy, said he had known about the coup attempt on Tuesday night and taken security precautions, and blamed a "foreign power" he did not name.

"There is nothing to fear," he said on national radio a few hours after gunmen who had announced the downfall of President Didier Ratsiraka had been arrested with hardly a shot fired.

Israel links Jewish settlements policy to economic growth

By Hugh Carnegy in Jerusalem

ISRAEL'S new government has warned that a freeze on new building in Jewish settlements in the occupied territories will also curb economic growth in the short term and delay a fall in unemployment, currently running at a record 11.5 per cent, writes Hugh Carnegy in Jerusalem.

The Labour-led coalition which took power this month is committed to shifting resources from the territories to Israel "proper" and increasing infrastructural investment in an attempt to generate high growth sufficient to cope with mass immigration from the former Soviet Union.

A freeze on 6,000 settlement housing units, and restrictions on construction within Israel, are a first step towards implementing this policy. This week, the government has also taken steps to rescind government incentives from industrial plants in Jewish settlements.

The actions are expected to help secure $10bn in US loan guarantees Israel wants to finance immigration absorption. But Mr Yitzhak Rabin, the prime minister, and Mr Avraham Shochat, the finance minister, have both warned that a short-term effect will be to limit growth.

Mr Shochat told parliament's finance committee that gross national product in 1993 was unlikely to grow significantly. "The fruits in employment and investment will be seen in 1994-95," he said.

● The Vatican and Israel yesterday pledged to work towards diplomatic ties in an historic first step that could end decades of chilly relations between the Roman Catholic Church and the Jewish state, Reuter reports from Vatican City.

The Vatican said it did not expect negative reaction to the move from Palestinians and other Arabs because Middle East peace talks had made it easier to take the step. The Vatican has set up a high-level permanent commission with Israel aimed at establishing diplomatic ties with the Jewish state, which was born in 1948.

ANC warns on detainees

By Michael Holman in Johannesburg

THE African National Congress (ANC) yesterday warned that South African security force members who assault people in their custody face prosecution under "a future democratic government".

The warning follows a pathologist's accusation at the weekend that police had killed scores of detainees in recent years. Since the claim, a further two men in police custody have died, one in a police station.

The police came in for further criticism this week when the Goldstone commission of inquiry into political violence said the force had failed effectively to prosecute perpetrators of violence on black commuter trains. The commission said it had been unable to say who had been responsible for the killings, adding that "victims were members of various black ethnic groups".

The police, meanwhile, launched a "peace offensive" yesterday to restore their authority in black townships around Johannesburg.

Mr Hernus Kriel, the law and order minister, said 5,000 police and troops would take part in the "stabilisation" operation in 16 townships.

Some of these are sliding into anarchy. Between July 1991 and April this year, 138 people have been killed and 261 injured.

● Mr Cyrus Vance, the UN envoy visiting South Africa, yesterday held talks with Mr Nelson Mandela, the ANC leader, and later toured Boipatong, the township where 42 residents were massacred last month.

Mr Vance returns to New York tomorrow.

Fears in Manila for IMF credit

By José Galang in Manila

CONCERN is growing in the Philippines that failure to meet money supply targets could cut off access to much-needed International Monetary Fund stand-by facilities.

The IMF, which last February resumed a stand-by credit facility to Manila, wants the government to keep to its money supply targets, exceeded since May. Failure to do this will halt Philippine drawdowns on the last tranche of the stand-by facility, and could freeze transactions under the $4.8bn debt restructuring package signed with the commercial bank creditors on Friday in London.

Also, official credit, particularly from Japan, the country's main donor, is now linked to Manila's adherence to the IMF programme.

However, Mr Ramón del Rosario, the finance secretary, and Mr José Cuisia, governor of the Central Bank of the Philippines, yesterday expressed confidence that the IMF ceilings would be met through the increase in Treasury-bill floats starting this weekend.

Mr Cuisia acknowledged that currency in circulation had surged since May, thanks to rises in foreign-exchange remittances and in foreign investments in the local stock market. Government spending also rose during May, pushing the budget deficit above another IMF ceiling.

Farm trade deal eludes Madigan and MacSharry

By Tim Coone in Dublin and Nancy Dunne in Washington

TWO DAYS of informal talks between Mr Ray MacSharry, the EC agriculture commissioner, and Mr Edward Madigan, the US agriculture secretary, aimed at averting farm trade conflicts between the US and the EC ended inconclusively in Ireland yesterday.

The two sought a compromise over the Uruguay Round of world trade liberalisation proposals – blocked for 20 months by a US-EC dispute over cuts in EC farm subsidies – and the US threat to impose punitive tariffs on $1bn worth of EC exports in retaliation for damage done to US farmers by the EC's oilseed subsidy scheme.

Mr MacSharry said after the talks at Dromoland Castle in the west of Ireland that he remained optimistic that the Uruguay Round would be successfully concluded by October this year, but said that many issues remained to be resolved.

"The major problem is still export volume," he said, referring to the need to cut both the volume and the value of subsidised EC farm exports, especially cereals.

He and Mr Madigan were making "a big effort" to avoid a trade war between the EC and the US, he said. The latest discussions had been a "stock-taking exercise" during which both sides had reviewed the other's positions on the General Agreement on Tariffs and Trade and the oilseeds dispute.

In the oilseeds dispute, the US government is expected to publish in three weeks' time the final list of $1bn in EC agricultural exports which will be subject to punitive tariffs if the EC does not reform its oilseeds subsidy regime. Two Gatt dispute panels have supported a US claim that EC oilseed subsidies have harmed US soyabean farmers.

The most recent EC proposals for a compensation package were rejected by the US in Geneva on Monday. Mr Robert Green, US Agriculture Department under-secretary, this week told the American Soyabean Association (ASA) that the EC compensation offer was unacceptable because it provided no advantage to injured soyabean producers.

The Bush administration is expected to proceed with sanctions unless the compensation is satisfactory to the ASA.

Mr McSharry, the Irish appointee to the EC Commission, has been angered that some $200m of Irish products have been targeted in the initial US "hit-list" published in June. This would cause a disproportionate share of retaliation to fall on Irish producers and prove particularly damaging for the Irish dairy processing industry, officials say.

Moment of truth for Zimbabwe reforms

Tony Hawkins previews a budget of all-round cuts when the economy is at its weakest

ZIMBABWE'S moment of fiscal truth arrives today when Mr Bernard Chidzero, the finance minister, delivers his budget to parliament.

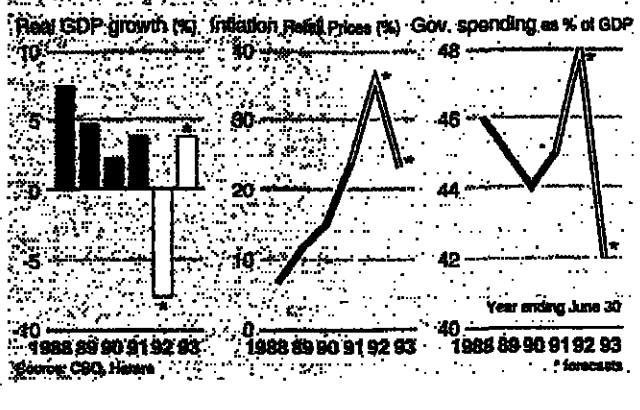
After 18 months of painfully slow implementation of structural economic reforms, the man who has presided over the country's descent into low-income from middle-income status, is committed by agreement with the International Monetary Fund and World Bank to announce spending cuts, subsidy reductions and tax increases.

The timing could hardly be worse. The country is experiencing its steepest fall in output since the depression of 1931. Official forecasts are for gross domestic product to fall 9 per cent this year, largely because of a 35 per cent decline in agricultural production after the worst drought in living memory.

The macro-economic aggregates are almost uniformly horrendous: the country has a balance of payments deficit of more than $1bn, or 20 per cent of GDP; inflation, now 39 per cent, is likely to exceed 40 per cent for a month or two before peaking; and 75,000 retrenchments are planned over the next year – 6 per cent of the employed workforce – when unemployment is already 1m, or 20 per cent of the labour force.

The business community, which at first enthusiastically embraced the structural adjustment programme sponsored by the IMF and World Bank, is hurting. It is critical of heel-dragging by the government especially in the field of para-statal and public sector reform. The government's claim that it is eliminating para-statal subsidies is accurate but the method – allowing state enterprises to indulge in an orgy of cost-plus pricing – is, along with a 46 per cent devaluation last year, largely responsible for escalating production costs. Industrialists complain bitterly that no efforts are being made to improve efficiency and productivity in state-owned monopolies.

Industry is caught in a classic cost-price squeeze; demand at home – and increasingly in the region – is collapsing because of the drought and a weak South African economy – the country's main market for non-traditional exports. Companies are reporting costs increases of more than 40 per cent over the past year.



The government's enhanced structural adjustment facility loan from the IMF stipulates that Zimbabwe's central bank maintain positive real money market interest rates (the 90-day rate for negotiable certificates of deposit). With inflation about to move above 40 per cent, interest rates are set to rise further.

Some banks are warning the government of overkill, but with all escape routes closed, other than to the IMF and World Bank, an unparalleled spell of monetary and fiscal discipline is looming. Past promises to cut spending during Mr Chidzero's 10-year tenure at the finance ministry have come to nought, but this time, the terms of the IMF deal will force him to do what he should have done years ago.

Mr Chidzero is committed to cut government spending to 42 per cent of GDP from 48 per cent last year. This implies cutting spending by some Z$2bn (US$400m), is to be achieved by postponing capital projects, reducing most spending programmes, slimming the cabinet and retrenching 14,000 public servants by mid-1993. Subsidies are due to be cut by 45 per cent.

Businessmen already question whether Mr Chidzero can deliver his promise, partly because he is locked into heavy debt-service expenditure as a result of past fiscal follies. Interest charges will absorb about 20 per cent of total spending this year after devaluation and the rise in interest rates. When education (22 per cent), defence (14 per cent) and health (6.5 per cent) are taken into account, there is scant room for manoeuvre. Had the tough fiscal and monetary medicine been imposed sooner rather than at a time of severe drought-induced deflation, the economy would have been far better able to withstand the difficulties.

President Robert Mugabe's government is half way through its third term in office and must go to the polls early in 1995. By then living standards in Zimbabwe will be no higher than at independence 15 years previously and lower than in the 1975 boom during Mr Ian Smith's unilateral independence regime.

Chidzero: bound by deals

If drought can be blamed for part of this dismal performance, the World Bank repeatedly affirms that ill-conceived economic policies and weak economic management are ultimately to blame. With no viable political opposition in sight, Mr Mugabe must take risks now if he is to win in 1995. But there is little in the government's record on public spending to justify the belief that this time Mr Chidzero really means what he says.

Ten years ago next month the Latin American debt crisis broke – and threw the world financial system into turmoil.

On these pages writers who followed the story for the Financial Times from the outset analyse how the crisis was handled. And they pose the question: Is there life after debt?

Solution passes the test of time

ON August 20 1982, Jesus Silva Herzog set in motion an international crisis of grand proportions.

The Mexican finance minister announced to an audience of bankers, gathered at the Federal Reserve Bank of New York, that repayment of principal on bank loans was to be halted for three months. Debt payment problems quickly spread to Brazil, Argentina and several other countries. Ten years later, none of the loans has been repaid.

The crisis posed a threat to the stability of the industrialised world, where large banks faced collapse. For Latin Americans, the sudden break in the flow of foreign finance began a decade of economic austerity, social problems and political battles over the direction of economic policy.

Although borrowers resisted pressure to club together or to default, their relationship with the industrialised world was sorely tested. Within creditor countries, calls for costly grand solutions to the debt problem, reducing the burden on borrowers, were countered by resistance to taxpayer bail-outs of banks.

The financial implications of the crisis were appalling. Debtor countries – which had borrowed heavily to finance rapid economic growth amid a frenzy of competition among banks to lend – faced default on a huge scale, with the prospect of being cut off from external funding for years.

For governments and banks in the industrialised world, the situation was horrifying. The capital of the largest US banks was exceeded by their loans to the largest borrowers.

More immediately alarming was the extent to which foreign branches of Latin American banks had used the short-term money market as a source of funds. As banks balked at renewing credit lines to them, central banks struggled daily to keep the world's payments system going.

It was in an atmosphere of hysteria that the leading financial officials and bankers met in Toronto in September 1982 for the annual meetings of the International Monetary Fund and World Bank. What was to be done?

Remarkably, the strategy devised to handle the crisis in its earliest days proved a durable one, still employed although with modifications.

It was hatched by Mr Paul Volcker, chairman of the Federal Reserve Board, the US central bank, and Gordon (now Lord) Richardson, governor of the Bank of England, along with Mr Jacques de Larosière, managing director of the IMF, and Mr Fritz Leutwiler, chairman of the Swiss National Bank and the Bank for International Settlements. Mexico's approach – telling banks that it would defer principal payments while continuing to pay interest – also contributed.

Collaboration was required between the main parties, and each financing package needed months of tense negotiation

The essence was to buy time: stretch out the problem so that debtors could introduce economic changes necessary to restore creditworthiness, and allow creditors to build up their capital sufficiently to absorb the shocks.

It was essential for banks that debtors paid interest. If they did not, losses would quickly become intolerable. So, controversially, debtors would receive new loans to enable them to pay interest. At the same time they would reschedule principal repayments on debt of longer than a year's maturity, and embark on economic policies agreed with the IMF.

Close collaboration between the main parties was required, and each financing package needed months of tense negotiation.

As the long-term nature of the problem became clear, maturities were lengthened and amounts of deferred debt increased under "multi-year rescheduling agreements". The initiative launched by Mr James Baker, as US Treasury secretary in 1985, recognised the need for debtor countries to grow, and led to greater emphasis on structural adjustment of economies.

It also forced banks to accept lower interest rates and stretch maturities further.

Banks' desire to reduce their problem by trading out of it led to a series of innovations which culminated in the initiative launched by Mr Nicholas Brady, Mr Baker's successor, in 1989.

The underlying principle was that, if banks treated debt as below face value, by trading loans at a discount, debtors should benefit. Under the Brady Plan deals – the latest of which, for Brazil, was agreed this month – banks voluntarily exchange loans for bonds with either lower face value or lower interest rates, thus reducing the cash burden on debtors.

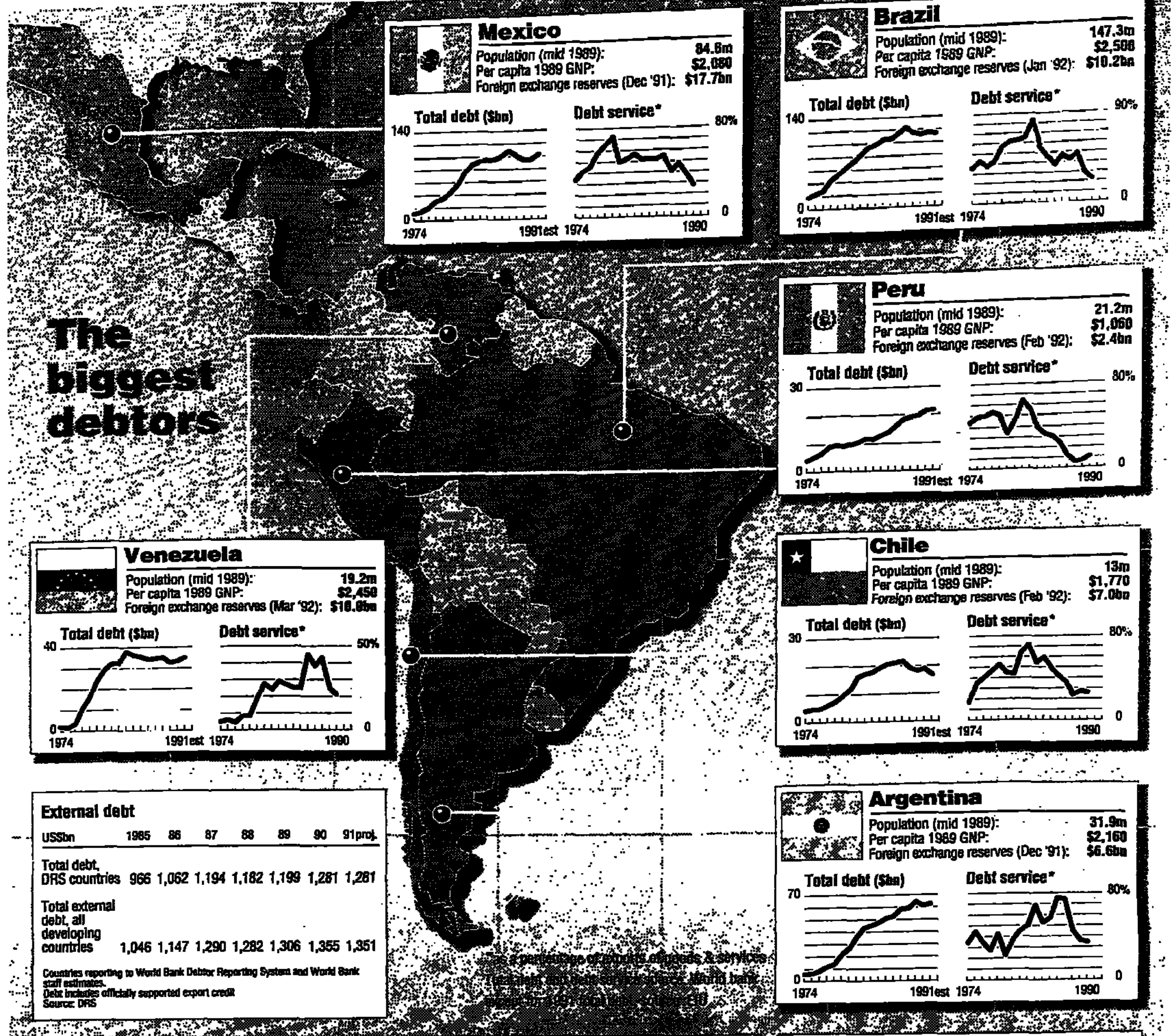
In retrospect, the strategy took a natural course, resulting in gradual diminution of the problem and eventually in the restoration of countries to creditworthiness. But few participants would claim it was all predictable.

Each new step brought confrontation and required a phased acceptance of reality by both debtors and creditors. Banks had reluctantly to accept the necessity for, in turn, new lending to delinquent debtors, rescheduling over long periods, lending at below-market rates, large loss provisions (after nearly five years) and finally debt relief.

But with Latin America now growing and borrowing again, and banks' capital shored up under new requirements, it may justly be said that the strategy worked.

Alexander Nicoll

The biggest debtors



External debt

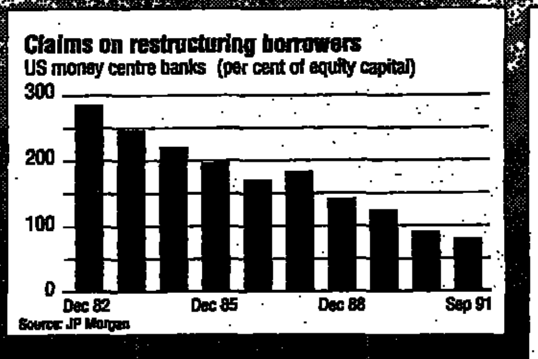
US$bn	1985	86	87	88	89	90	91proj
Total debt, DRS countries	966	1,062	1,194	1,182	1,199	1,281	1,281
Total external debt, all developing countries	1,046	1,147	1,290	1,282	1,306	1,355	1,351

Countries reporting to World Bank Debtor Reporting System and World Bank staff estimates. Debt includes officially supported export credit. Source: DRS

LDC loan exposure net of loss reserves

% of equity capital	1987	1988	1989	1990	1991
Canada	96	60	37	21	20
France	86	77	57	36	na
Germany	50	39	22	23	na
Japan	53	38	28	15	10
UK	72	54	36	30	25
US	140	100	67	38	29
Average	83	61	41	27	21

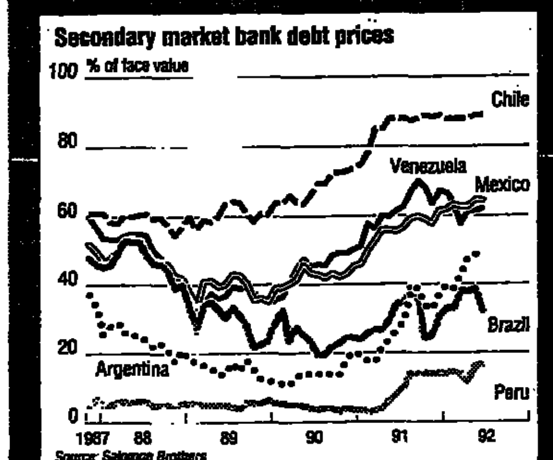
Source: JP Morgan



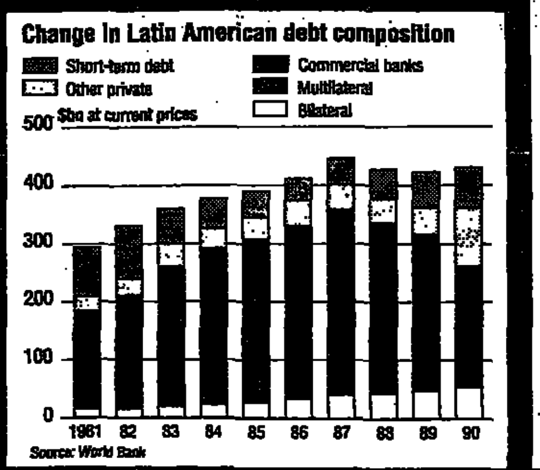
Source: JP Morgan

Capital flows to Latin America

$bn	1989	1990	% of GDP	1991	% of GDP
Argentina	1.40	0.62	0.8	5.10	7.6
Brazil	0.15	0.41	0.1	11.63	2.7
Chile	1.15	2.05	7.4	*1.67	5.8
Mexico	0.70	8.40	3.6	16.07	5.9
Venezuela	1.02	1.84	3.7	4.80	10.0
Regional	0.56	0.18		0.83	
Total**	5.00	13.30		40.09	
% year on year increase		167.7		199.5	



Source: Salomon Brothers



Source: World Bank

Types of private capital flows to Latin America

Borrowing		Total portfolio investment	
Bonds, private placements, medium term notes	8.51	Funds	1.48
		ADRs	4.93
		Sub total	6.41
Commercial paper	2.51	Cash inflows from privatisation	3.53
Certificates of deposit	0.64		
Trade financing	1.67	Other direct foreign investment	10.43
Term bank lending	2.35		
***Sub total	15.68	Sub total	13.96
Grand total			***40.09

* The decline in flows to Chile was largely due to the conclusion of the country's debt conversion programme. ** Totals do not necessarily tally exactly because of rounded figures. *** Includes other flows of $644m to Argentina and $3.4bn to Brazil as identified by the individual country's central bank. Source: Salomon Brothers

Two principles of 1970s lending that now seem dubious

MANY an international bank director must have grimly muttered "never again" when Mexico declared itself unable to meet its international debt obligations. Ten years later, as those self-same bankers ponder the losses they have notched up on property loans, they must be wondering whether they can ever exercise the right degree of self-control in lending.

Perhaps one lesson from the past 10 years is that banks are condemned to lose money. Market pressures to lend are such, and creditworthy borrowers so few, that bankers will never learn to cope with risk. In that sense, the developing country debt crisis was only a manifestation of a deep natural flaw in the banking industry.

The philosophy underlying the boom in syndicated lending to developing countries in the late 1970s rested on two principles that now appear highly dubious.

The first was the claim, expounded by Mr Walter Wriston, head of then mighty Citibank, that sovereign borrowers can never go bust.

The second was the belief that an ever-increasing volume of loans could be syndicated indefinitely to an ever-widening community of banks. By the time Mexico finally ceased paying 10 years ago, big US money centre banks were hawking Mexican credits to domestic banks in Thailand.

At a time when US inflation was well into two digits, real interest rates were negative and commodity prices were rising, the argument that countries could never default seemed seductively convincing. Mr Wriston used to claim that governments could come and go, but countries – the real debtors – would always survive. They had assets which could be seized if necessary.

Only a few officials, such as Mr Henry Wallich, the late Federal Reserve Board governor, voiced doubts. He memorably described the notion of sovereign immunity from default as being as elusive as the smile on the vanishing face of the Cheshire cat.

Of course, no one really ever expected the borrower countries actually to repay debts. The idea was simply that they should always be seen as creditworthy enough to ensure they could borrow more when old loans became due.

Yet the sense of well-being proved illusory. When the crisis struck, it was fashionably interpreted as a problem of liquidity. The debtor countries were still capable of repaying their debts over the longer term, but for the time being they simply required more cash than the market was capable of providing.

The underlying assumption was that as soon as confidence returned, the market would restore the flow of credit. Even after the first trouble struck there was no real challenge to the central assumption that the banking system could generate an infinite amount of credit.

The process whereby new lenders bought out old ones had come to be seen as perfectly acceptable. The rush of lending to developing countries had been encouraged by industrial country governments in the

See Editorial Comment

early 1970s as a means of shoring up the world economy after the initial oil shock. Nonetheless, as syndicated lending developed, it acquired some of the characteristics of the chain letter. At some point capacity was almost bound to be exhausted.

Once the crisis struck, the natural inclination of the banks was to turn away from sovereign lending to borrowers they thought they could understand the risks. There would be no problem with transfer payments, and they could more easily take security. The problem was that the banks themselves had become less creditworthy than many of their best customers. Top corporations were able to borrow in the commercial paper market at rates lower than the banks charged each other for deposits.

Where banks continued to lend domestically they were thrown back on lesser credit risks, which may help explain the headlong rush into leveraged buyout lending in the US. Where they wanted a continued relationship with better-quality borrowers they were thrown back on to techniques such as note issuance facilities which were borrowed from the securities market.

Such facilities allowed borrowers to raise long-term funds by the continuous issuance of short-term securities. The paper was placed with investors by the same leading banks which had once dominated the syndicated loan market. The attraction for the arrangers was the generation of fee income through a service which did not necessarily use up space on the balance sheet.

The attraction for investors, which often included smaller banks, was that they were under no obligation to repurchase the securities every three or six months as they fell due. Their portfolio thus became more liquid.

It all looked like another wonderful wheeze, but the catch was that the managing banks also had to promise to provide back-up credit to ensure that the borrower could always redeem the short-term securities even if his financial position unexpectedly deteriorated. Suddenly the world's largest banks were piling up multi-billion dollar contingency obligations which were not carried in their balance sheets and against which they had no formal obligation to provide capital.

Worry about these hidden obligations was an important driving force behind the establishment in the mid-1980s of the so-called Basle ratios for bank capital. The ratios, however, will doubtless also be seen as a lasting legacy from the debt crisis. Agreed under the aegis of the Bank for International Settlements, they are meant to ensure banks have enough capital not just in relation to total assets but also to reflect the type of risk they are running on and off the balance sheet.

One hope was that this would encourage banks to price business more directly in relation to risk. To judge by the way in which even the most reputable of international banks, such as Barclays and Hongkong and Shanghai Banking Corporation, have burned their fingers on property lending, the stricter Basle ratios have failed to persuade the industry to take this point on board.

The debt crisis itself is on the wane, but the central bankers may not yet have had their last word.

Peter Montagnon

CHRONOLOGY OF EVENTS: 1982 – 1985

1982

MEXICO, facing foreign borrowing requirement of more than $20bn (£10.4bn) for the year, raises $5bn in first quarter, although at higher interest rates than previously. Outflow of dollars prompts several sharp devaluations of peso during year. Inflation accelerates rapidly and oil revenues decline.

April – Argentina's invasion of Falkland Islands provokes conflict with Britain and slows new lending to Latin America. Mexico draws on swap line with US Federal Reserve and meets difficulties in arranging loans from banks.

August – Mexico introduces exchange controls, seeks emergency finance from US and international financial institutions. On August 20 finance minister meets creditor banks in New York and announces three-month moratorium on $10bn of debt principal repayments. Central banks agree $1.85bn emergency loan to Mexico "to ensure continued smooth functioning of the international financing system". US provides $2bn credit. Mexico to seek International Monetary Fund and bank loans. Creditor banks form advisory committee chaired by Citibank.

September – Mexico nationalises banks and imposes total exchange control. Central bank heads consider Latin American payment problems. One says: "To say that we are concerned could be an understatement." International Monetary Fund and World Bank hold annual meetings in Toronto in atmosphere of panic.

October – Brazil arranges emergency short-term bank loan, sells gold.

November – IMF managing director Jacques de Larosière tells bank chairmen he expects them to make new $5bn loan to Mexico and $1.5bn loan to Argentina, to support economic policies under International Monetary Fund programmes.

December – Banks commit to Mexico loan. Brazil arranges $1.5bn in emergency loans from US and says it will seek new "jumbo" bank loan. But, as year ends, Brazil also halts repayment of debt principal.

1983

January – Pattern emerges for handling LDC debt problems. Key elements are: IMF-agreed economic programme and IMF loan, rescheduling of some debt principal repayments to banks and governments, and large new loans. This involves close co-operation among debtors, international institutions and creditors. Packages under way for Mexico, Argentina, Brazil, Yugoslavia and, soon, Chile and Peru contain all these elements. Bridging loans tide borrowers over until the full agreements are signed.

February – Brazil signs $4bn new bank loan and $4.8bn rescheduling, but suffers severe difficulties in maintaining short-term interbank lines of credit to foreign branches of its banks, a crucial element of financing programme. It misses first-quarter International Monetary Fund economic targets. Interest payment arrears build up to $2bn by August. Economic programme and rescue package have to be re-drawn.

March – Mexico's banks sign $5bn new loan (agreed in 1982) and, in August, agreements rescheduling $20bn of debt principal falling due to banks in 1983 and 1984.

September – At International Monetary Fund annual meeting, Brazil agrees in principle with creditors on $11bn rescue package involving $6.5bn new bank loan, rescheduling of debts falling due up to the end of 1984. Leading creditor banks and central bankers embark on successful worldwide "roadshow" to persuade other creditor banks to join the deal. Brazil begins to reduce interest arrears.

1984

Argentina builds up interest arrears of $2.7bn by end-March. Impasse in Argentina's negotiations with IMF and banks means US banks must count loans as "non-performing" for first time in debt crisis.

June – Banks agree in principle to provide "multi-year rescheduling agreement" (Myra) for Mexico, lowering interest rates on rescheduled debt and stretching out six years' maturities, totalling $48bn. Poland signs Myra in July. In September Venezuela agrees in principle on $21bn Myra. In December Argentina agrees in principle on $14bn Myra and agrees to cut interest arrears, and International Monetary Fund endorses economic programme.

1985

International Monetary Fund suspends loans to Brazil and Argentina as economic targets missed. In negotiation of new targets, Brazil seeks greater flexibility from International Monetary Fund – but in August, finance minister and central bank governor resign in frustration over lack of economic austerity policies, and government embarks on expansionist approach. Peru announces unilateral limit on debt service payments: 10 per cent of export receipts. Argentina agrees new economic stabilisation package with International Monetary Fund as inflation reaches 1,000 per cent. In July, Mexico introduces new austerity package as oil revenues drop and misses International Monetary Fund targets. In September, earthquakes devastate Mexico City. Brazil seeks International Monetary Fund "monitoring of economy" rather than full agreement.

September – At International Monetary Fund annual meeting in Seoul, US treasury secretary James Baker unveils new approach to debt, known as Programme for Sustained Growth or Baker Plan. Key elements are:

- ● Economic reform by debtor countries to promote growth and balance of payments adjustment, and to reduce inflation.
- ● Increased structural adjustment lending by multilateral development banks as well as continued central role for IMF.
- ● Increased lending by commercial banks: net new lending of $20bn over next three years to heavily indebted middle-income countries.
- ● Maintenance of case-by-case approach to debtors. Larger debtors and creditors give qualified support to Baker Plan.

NEWS: LATIN AMERICAN DEBT CRISIS

Bouncing back from disaster in tigerish style

A revived inflow of investment has reinvigorated the region

SELDOM have economic fortunes changed so rapidly. From being regarded as a financial disaster zone two or three years ago, Latin America has emerged as hot financial property. Some Latin countries are now regarded as the likely economic "tigers" of the 1990s.

Capital has started to flow into the region again for the first time since the "Mexico weekend" put a sudden stop to capital inflows 10 years ago. Net inflows were estimated last year at $36bn-$40bn, three times the level of the previous year. This year, the figure is expected to be considerably higher. Latin stock markets put on record-breaking performances last year, while the region's governments and companies have found once more that they can raise money on the world's bond markets. Multinational companies in Europe and the US have begun to increase their direct investment in the region.

Most important, the inflows have helped rekindle economic growth, stunted during the decade of debt.

Much of this money is responding to changes in government economic and trade policy. Governments have welcomed international capital, opened their economies to outside influence by lowering trade barriers, and slimmed bloated and inefficient public sectors.

In part, these shifts reflect the transformation in the global ideological map after the collapse of the Soviet Union. Mostly, however, the shift has represented a pragmatic, rather than an ideological, response to the debt crisis.

In the early stages of the crisis – viewed initially as a balance of payments phenomenon – governments suppressed imports, then tried to expand exports, in order to create current account surpluses. This led to trade liberalisation and export promotion policies. The problem was that the current account surpluses were being chalked up by the private sector, which thus owned the foreign exchange, while the debt was owed by the public sector, which needed the foreign exchange.

Governments were limited in their ability to secure that foreign exchange. The debt crisis had more or less cut off external finance, and the tax systems in most Latin countries were so inefficient that most governments could not secure domestic funds with which to buy foreign exchange. Some resorted to issuing domestic debt or printing money to obtain the foreign exchange. Both courses had inflationary consequences, since domestic government debt often became regarded as a liquid asset and was soon treated like currency.

The "successful" Latin governments of the late-1980s have been those that have put their fiscal houses in order, through tax reform, through cutting out subsidies to state-owned industries, and through privatisations.

This allowed non-inflationary service of the foreign debt, while the burden of servicing that debt fell in most countries. With exports rising, debt service became a smaller and smaller proportion of foreign exchange receipts. Furthermore, the Brady initiative from the US in 1989 paved the way for negotiated reductions in national foreign debts.

The debt service savings Brady has brought about have been modest (except for Costa Rica, where a deep discount was negotiated), but the initiative has provided an important stimulant to economic and financial confidence in the big debtor countries. This has been enough to confirm an end to the debt crisis, although – in part because Brady addressed only the bank debt and some countries owe most debt to other governments and the multilateral institutions – not to confirm an end to every country's debt problem.

This more optimistic outlook, however, owes a significant amount to the rapid fall in US interest rates over the last two or three years. This has dramatically reduced debt service burdens, since a large portion of the debt remains in US dollars at floating interest rates.

Low US interest rates have had another effect. With deposits in US dollars earning only 4 per cent, against 9 per cent two years ago, investors have been forced to seek the higher returns available in the capital-starved region to the south.

So far, much of the returning money has been "hot" – footloose capital often parked short-term in banks or triggered by companies borrowing abroad rather than in their more expensive domestic markets. A lot of money is also going into the region's stock markets – hence an explosion in stock market values, to the benefit of a narrow group of speculators. But, with the notable exception of Mexico, Latin American countries have not yet been able to raise much new equity capital. In the international market for shares, some investors have also begun to express concern about the low standards of disclosure of Latin companies while, in the bond market, some corporate and bank borrowers have been distinctly second-rate.

Mr Pedro Pablo Kuczynski, a former minister of mines and energy in Peru, is among those who believe that the owners of this capital will not repeat the banks' mistakes of the 1970s. Because it is in private hands, it gives "some protection to the always present risk that governments will repeat in the 1990s the mistakes of the 1970s". However, the challenge is to attract some of this capital into productive investments in the region – such as rebuilding infrastructure which has fallen into disrepair in the 1980s, so that growth is not restrained by bottlenecks.

This dilapidated infrastructure is part of Latin America's so-called social debt that emerged in the 1980s. In the "lost decade", per capita income in the region fell by close to a fifth (albeit from unsustainable debt-inflated levels at the start of the decade).

The pressure poverty places on the governments of what is now, more or less, a democratic continent is extraordinary. Governments, even in their new, slimmed roles, are essential to solving these social problems, but there are questions about how well-equipped they are for the task.

Most Latin American governments have now come to terms with the need to encourage both foreign and domestic investment as the main stimulus to economic growth. Growth, as the World Bank's chief economist, Mr Larry Summers, has pointed out, "can raise a lot of boats".

As reminders of the fragility of Latin American democracy, Venezuela suffered a coup attempt in February, from which the government is still rocking. Faced with a destructive guerrilla war, the Peruvian president suspended Congress in April, in effect appointing himself dictator. Brazil, whose economy makes up half of Latin America's, is suffering a political crisis, its president beleaguered by corruption allegations.

The new love affair between international finance and Latin America may prove to be more than just a brief flirtation, bound to end in tears, but it is by no means certain that it represents the start of a long relationship that will benefit both parties.

History suggests caution. Mr Victor Bulmer-Thomas, a historian of Latin America at London University's Queen Mary College, points out that the region has suffered debt crises at approximately 50-year intervals since the 1820s. Each crisis – in the 1820s, 1870s, 1930s and 1980s – triggered a tremendous shift in economic policy and, after each one, creditors were forced to recognise that the debts would not be paid in full.

"If any of my grandchildren go into banking, I shall recommend some serious reading of economic history as the year 2030 approaches," he says.

Stephen Fidler

THE KEY INTERNATIONAL PERSONALITIES

JACQUES DE LAROSIERE

'A great deal was at stake'

A former managing director of the IMF underlines the perils of the problem

ALL the ingredients of a systemic crisis were present when the international debt crisis broke out in August 1982.

The combined foreign debt of the three largest Latin American countries alone came to nearly $230bn and the portion of this debt owed to commercial banks stood at $150bn.

Comparing this figure to the capital of the international banks that had the greatest exposures in Latin America, we can see that their financial structures were in no way capable of withstanding unilateral and chaotic suspension of payments by the three leading Latin American debtors.

It was calculated that, in 1982, the claims on Mexico alone accounted for 44 per cent of the capital of the nine largest US banks. In August 1982, the debtor countries were faced with an acute liquidity crisis. The maturity structure of their external bank debt had become much shorter, at a time when the economic climate was marked by recession, high interest rates and falling commodity prices.

A great deal was at stake for all the parties concerned.

For the banks with the largest exposures, their very survival was in question. The fact that these banks played a key role in the international financial system meant that the system itself was ultimately in jeopardy. You can imagine what the consequences of a failure of the financial system would have been.

The stakes were equally high for the debtor countries, even though the risks they incurred were less obvious to some. A unilateral breach of contractual commitments would have led to a loss of credibility. This would have cut them off from sources of international finance for a very long time, in view of the importance of external capital for these countries' long-term economic development.

It was clear to me that it would have been a major mistake for them just to stand by and let the crisis develop without taking any action.

The strategy drawn up in August 1982 was simple; it has been developed and further refined with the passing years. It was based on the idea that there are two parties to each debt problem – the debtor and the creditor – and that both parties should be part of the solution.

As the problem mainly seemed to be one of liquidity, and not solvency, the solution was to:

1 – Ask debtor countries to adjust their economic policy so as to eliminate the sources of the deficit that led to the debt in the first place. This called for strong macro-economic stabilisation measures, involving fiscal and monetary policy, and structural adjustment policies aimed at making their production system more flexible by freeing prices, opening markets to international trade and privatising industries.

2 – Ask creditors to give these tighter economic policies and adjustment programmes time to work.

This assumed that the banks and public sector creditors would agree to reschedule principal repayments, and even supply new money, so that the debtors could meet their interest payments, which must never be interrupted.

This strategy had at its hub the International Monetary Fund, which was to play a crucial role in reaching agreements with debtor countries on adjustment programmes, backed by IMF resources, and in arranging and catalysing the finance needed for the transition period, whether it came from creditor states, banks or development institutions.

One of the fundamental rules applied to the approach chosen was that each problem and each country had its own individual characteristics. Therefore, it was not a matter of finding a universal and uniform solution, but of addressing the problems on a case-by-case basis.

Most of the ideas I have just spelled out seem self-evident today. At the time, though, they were hotly contested in some circles, particularly among academics. It was said that the problem was so intractable that it called for universal solution of debt relief or forgiveness, but nobody would say just who should come up with the financing needed. Furthermore, it was predicted that a "cartel" of defaulters would be created and the programmes negotiated by the IMF were seen as too harsh.

For once, events actually moved in a constructive and favourable direction.

The success in the handling of the crisis was due to four main elements: a good concept (diagnosis and treatment), strong leadership, speed in execution, and intensive co-operation among different players.

Mr de Larosière, governor of the Bank of France, was managing director of the International Monetary Fund in 1978-86.

CRUCIAL QUARTET IN THE CRISIS: clockwise from top – Volcker, de Larosière, Gurria, Rhodes

PAUL VOLCKER

'I didn't count on it taking so long'

"I DIDN'T think it would be cured overnight, but I didn't count on it taking as long as it has to resolve. You squirm because it took 10 years," says Paul Volcker. As chairman of the Federal Reserve Board from 1979 to 1987, he had a central role in dealing with the debt crisis from the outset, writes Stephen Fidler.

He believes the agreement in principle recently signed by Brazil and its bank creditors signals an end to the debt crisis. "Latin American debt is no longer a threat to the financial system, nor are the problems of most Latin American countries caused by their foreign debt. Brazil has lots of problems but they don't stem from its foreign debt."

Did industrialised countries share the blame for the crisis, because they encouraged private banks to "recycle" Opec oil surpluses during the 1970s? "I think it's fair to say that the [recycling] was looked upon benignly for a while. But, once momentum of this sort starts, it's very hard to slow it down. One cannot cut it off and it's very hard to modulate it."

However, Mr Volcker – now chairman of James D. Wolfensohn, a New York investment bank – does not believe that the euphoria about Latin America, recently developed in international financial markets, is yet a cause for concern. "I still have something of a central banker's mentality, which is the mentality of a puritan – they have a haunting feeling that somebody, some place, might be happy. But I don't think there is an imminent danger."

ANGEL GURRIA

'For us Mexicans, the crisis is over'

"THE debt issue was not the cause of the crisis, it was the end result. It was only a manifestation of a long period of overspending and overvaluation of the currency," says Mr Angel Gurria, under-secretary for international financial affairs at Mexico's Ministry of Finance, writes Stephen Fidler.

Mr Gurria was a leading negotiator for Mexico from the beginning of the crisis.

"Everybody thought that oil prices would continue to rise and we counted on a conventional wisdom which didn't materialise. We had a commodity that was scarce and highly valued, and it looked as if it was going to stay that way for ever. We had a public deficit equivalent to around 16-17 per cent of GDP and a current account deficit financed with public debt.

"All this left no doubt as to what the next administration should do... The agenda was very clear."

When reserves dwindled, as a result of falling oil prices and capital flight, Mexico made a key decision in August 1982 to approach the debt issue as a political one, involving the governments of the rich countries, whose banking systems would be threatened, rather than as a purely financial problem, Mr Gurria says.

Now, he declares: "For us, the debt problem is over. The foreign debt of Mexico is now equivalent to 31 per cent of GDP, and it was as high as 76 per cent. The public foreign debt is 24 per cent of GDP, and was 60 per cent. With domestic debt at 13 per cent of GDP, all our public debt is equivalent to 38 per cent of GDP."

WILLIAM RHODES

'Fear brings people together'

"IF GREED often drives people apart, fear often brings them together." So says Mr William Rhodes, now vice-chairman of Citicorp, who led the international banking community's response to the debt crisis, writes Alexander Nicoll.

With Citibank the biggest lender to Latin America, Mr Rhodes was chairman of advisory committees – formed by banks to lead their negotiations – for Mexico, Brazil, Argentina, Peru and Uruguay.

Recalling the IMF meeting in September 1982 in Toronto being compared to rearranging the deckchairs on the Titanic, he says a sort of partnership swiftly developed among central bankers, heads of international institutions and commercial banks. "The resulting co-operation ultimately overcame the widespread fear that the international system would collapse."

Mr Rhodes attributes the containment of the debt problem to this co-operation, and to political leadership in Latin America. Also important was the approach to debt problems on a case-by-base basis, and the fact that no solution was imposed on banks.

Economic reforms by Latin American governments are useful examples for other developing countries: "The formula entails a strong head of state, a viable economic plan, an economic team that works together, a belief in the plan by all senior officials involved, and – this is most important – a method to convince all levels of society of the benefits of economic reform."

However, in retrospect, Mr Rhodes feels that the return of Latin American borrowers to the markets might have been accelerated if structural reform – such as privatisation, deregulation, and improvement of trade policies and tax systems – had been attempted sooner.

IMF's craving for role satisfied

IT IS an ill wind that blows no one any good. The debt crisis was, indeed, an ill wind: between 1982 and 1990 consumption per head fell at an average annual rate of 0.3 per cent in the World Bank's list of 15 "severely indebted middle-income countries".

Yet the crisis also blew some good. It transformed policy in many indebted countries, mostly for the better, and gave international financial institutions, particularly the International Monetary Fund and the World Bank, new tasks.

For the World Bank this was hardly necessary: long-term development is task enough. For the IMF, however, the debt crisis was a godsend.

Having lost its empire in the collapse of the Bretton Woods system of fixed exchange rates in the early 1970s, the IMF had been consistently searching for a role. A series of unpleasant surprises – the twin oil shocks of the 1970s and the debt crisis – gave the institution the role it craved.

The Fund became the principal interlocutor on macro-economic policy between the Group of Seven leading industrial countries, on the one hand, and developing countries on the other.

It is, however, an agent rather than a principal. The central decisions – the initial response to the Mexican crisis in the summer of 1982 and then the Baker and subsequent Brady plans – were taken by policy-makers of the G7.

But the IMF, assisted by the World Bank, has played a valuable role: giving its seal of approval to policy changes in debtor countries; bringing together creditors and debtors; cajoling creditors; and, in the end, helping to underpin the comprehensive debt reduction packages agreed under the Brady Plan.

While the IMF focuses on macro-economic policies, resolution of the debt crisis required more than macroeconomic policy change.

In all countries that have resolved their debt problems, structural reform has been essential: reform of institutions, reform of trade policies, and reform of tax systems. This is why the World Bank's view – articulated in the structural adjustment lending that has reached a quarter of total World Bank lending – has been as important as the work of the IMF.

Martin Wolf

CHRONOLOGY OF EVENTS: 1986 – 1992

1986

June – Mexican finance minister Jesus Silva Herzog resigns as oil revenues drop and economy worsens. In July his successor Gustavo Petricioli agrees growth-oriented economic programme with International Monetary Fund, clearing the way for negotiations with banks.
At International Monetary Fund annual meeting, a year after Baker Plan announced, banks and Mexico agree in principle on $7.7bn new loan and $54bn loan rescheduling, first under the plan, with 20-year maturity and $\frac{13}{16}$ percentage point interest margin – seen as too concessional by some banks. By December banks' commitments to loan are sufficient to put the International Monetary Fund's rescue package into effect.

1987

February – Brazil halts interest payments on $68bn of debt to banks.
April – Argentina agrees with banks in principle on Baker Plan deal for new loan and $24bn rescheduling on terms similar to Mexico's. Package features first "menu of options," including chance for banks to convert loans into "exit" bonds.
May – Citicorp, biggest lender to third world, adds $3bn to loan loss reserves and says it will seek to "liquefy" third world loan portfolio by selling loans and using instruments such as debt/equity swaps. Its share price rises. Other US banks follow with similar loss provisions.
August – Bank of England issues guidelines to UK banks on loss provisions.
September – Brazil proposes to convert $34bn of bank debt into securities, taking advantage of discount at which loans trade in secondary market. It is rebuffed by Mr Baker. He proposes new International Monetary Fund funding facility to compensate debtors for unforeseen shocks which could undermine Fund programmes.
November – Brazil and banks reach interim agreement to end halt in interest payments. Brazil agrees to seek accord with Fund on economic programme.
December – Mexico and J P Morgan, the US bank, announce innovative plan to retire $20bn of debt in exchange for securities with principal backed by US zero coupon Treasury bonds held by Mexico. Banks invited to tender loans competitively – those putting the highest discount on their loans to win bonds.

1988

March – Mexican exchange auction results in issue of only $2.5bn of bonds in exchange for $3.6bn of bank debt, an average discount of 33 per cent. Brazil holds first debt-for-equity auction.
June – Brazil's creditor banks agree in principle on $5.2bn loan and $61bn rescheduling.
October – US makes $3.5bn emergency loan to Mexico, again suffering liquidity problems following drop in oil price.

1989

March – US Treasury secretary Nicholas Brady announces controversial "suggestions" on debt problems, dubbed the Brady Plan. Key new element embraces concept of allowing debtors, provided they pursue approved economic policies, to reduce outstanding debt. However, this should be on a voluntary basis for creditors – along lines of Mexico/Morgan offer.
International Monetary Fund, industrialised countries and leading bankers give debt relief qualified backing.
July – Mexico and banks agree first Brady Plan deal covering $52bn of debt, including options for banks to exchange loans for collateralised floating rate bonds at a 35 per cent discount, exchange loans for bonds of same par value but lower fixed interest rate, or advance new money to finance Mexico's interest payments.
September – J P Morgan adds $2bn to loan loss reserves, bringing them to a level equalling its medium- and long-term lending to countries which have restructured debts. It says increase reflects rising expectations about the size of debt reductions possible under Brady initiative. Its share price rises. US President George Bush appeals to banks to support Brady Plan.
November – UK banks increase provisions against third world debt losses. Lloyds Bank says 15 of 29 problem countries are not paying interest and that it has made 100 per cent provisions for more than half of the 29. Peru, which had cut itself off from the International Monetary Fund and built up $800m of arrears to the Fund, agrees to resume payments to International Monetary Fund and accept economic programme.

1990

Of Mexico's creditor banks, 49 per cent choose to exchange $22bn of debt for lower interest, fixed-rate bonds of same face value, and 41 per cent choose to exchange $20bn of debt for floating-rate bonds at 35 per cent discount to face value, saving Mexico a total of $1.3bn per year. Costa Rica, the Philippines, Uruguay and Venezuela agree Brady debt reduction deals.

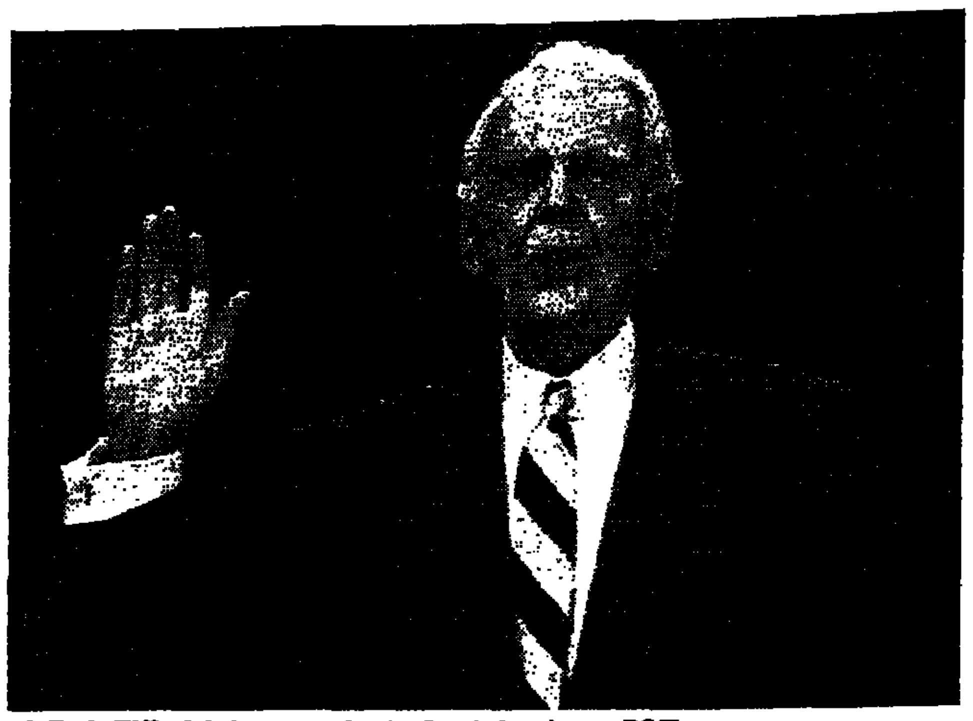
1991

April – Brazil reaches preliminary agreement on settling $8bn of interest arrears to banks.
September – International Monetary Fund approves Peru economic programme.
October – Mexico's Nafinsa issues 10-year Eurobond, longest maturity for Latin American capital market issue since debt crisis began.

1992

April – Argentina reaches outline agreement on Brady deal covering $23bn of debt and $8bn of interest arrears.
July - Brazil reaches outline deal on Brady deal covering $44bn of debt. Brady says after Brazil agreement that more than 90 per cent of the commercial bank debt of big debtor countries would be dealt with. He says: "It represents a milestone in finally putting the Latin American debt crisis behind us."

Alexander Nicoll



INDICTED: Robert Altman (pictured with his wife, Wonder Woman actress Lynda Carter) and Clark Clifford, being sworn in at a Senate hearing on BCCI

BCCI WEB OF CORRUPTION

- Zambia: BCCI loan used to pay $35m World Bank debt which led to new $60m loan.
- Pakistan: loan to government enabling it to avoid World Bank credit restrictions and a devaluation of the rupee.

Corrupt payments allegedly made to:

- Senegal: central bank officials.
- *Nigeria: governor and other* central bank executives between 1981 and 1984. Further payments made to chairman of Nigerian National Supply Company, state food importer in same period.
- Cameroon: ministry of finance employees.
- Ivory Coast: import/export officials.
- Congo: ministry of finance staff to ensure payment of debts to BCCI banks.
- Morroco: employees of two commercial banks in return for deposits into BCCI Paris bank.
- Tunisia: employees of two *commercial banks in return for* their banks depositing money with BCCI.
- African Development Bank: treasurer and other officials in return for deposits in BCCI.
- Economic Co-operation of West African States : cheap loans and gifts to the officials in return for a $30m to $35m deposit in the BCCI Paris branch.
- Colombia: use of Colombian nominees to obtain illegal ownership of Banco Mercantil.
- Peru: president and general manager of central bank in 1985 in return for deposit of hundreds *of millions of dollars of* government reserves with BCCI.
- Argentina: president and a director in 1983/84 of the central bank to help establish a BCCI branch in the country.

Officials bribed worldwide

Richard Donkin traces the global trail of fraud and corruption alleged in yesterday's charges

BCCI was involved in a vast web of corruption across the Third World, according to US indictments yesterday.

Court documents listed 12 countries, three organisations and numerous specified officials as beneficiaries of the fraud which spirited away some $5bn from BCCI coffers, including money from depositors.

The documents outlined a number of deceptions perpetrated on the World Bank and the IMF. In one of these schemes BCCI officials enlisted the help of Pakistani government officials in 1979 to hoodwink the IMF into believing Pakistani national reserves were higher than they were.

A secret BCCI loan to the government enabled it to avoid credit restrictions and a devaluation of the rupee. In another Pakistan-based scheme BCCI violated Pakistani central bank controls to earn preferential banking rates.

The main fraud indictment said that from BCCI's inception, the group had been undercapitalised and had granted large and numerous loans to favoured associates of the defendants. The documents named Sheikh Kamal Adham and Mr Sayed Jawhary, Mr Adham's accountant, as the beneficiaries of some of these uncollectable loans.

The alleged schemes are said to have included frauds on the regulators of Washington-based Financial General Bankshares, the National Bank of Georgia, the Independence Bank of Encino, Banco Mercantil in Colombia.

Members of the criminal enterprise at BCCI, said prosecuters, made systematic efforts to intimidate and influence the press with pay-offs. They spent depositors' money on charities to garner public praise and increase the political power of BCCI. They hired politicians and government officials to court influence in countries where they wanted to set up operations.

At the same time assets, it is alledged, were being bought with depositors funds and maintained quite separately from the BCCI group. The assets are said to have been bought in the names of Mr Adham, Mr Jawhary, Dr Ghaith Pharaon, a Saudi businessman, Mr Faisal Saud Al Fulaij, a Kuwaiti businessman and Mr Mohammed M Hammoud, a Lebanese businessman who, the indictment said, "reportedly died" in 1990.

"When the major BCCI group banks were closed in July 1991," the indictment said, "these nominees were in a position to assert title to the assets purchased with depositors' funds. Assets purchased by the BCCI group in this manner included US banks, real estate, and a major oil company in Pakistan."

The fiddling of BCCI's loan books appears to have run the whole gamut of fraud

Two BCCI-controlled Cayman entities, ICIC Overseas and ICIC Holdings were allegedly used to maintain the sham. ICIC Overseas was used to create false records concealing BCCI group liabilities and presenting false assets; ICIC Holdings to conceal stolen monies.

According to the US documents, the fiddling of BCCI's loan books appears to have run the whole gamut of fraud. Records listing some loan agreements were prepared for auditors but the picture was distorted and disguised. Deposits were not always recorded and others were incorrectly recorded.

During the period covered by the indictment, September 1, 1977 to August 18, 1991 – intriguingly after the date that the Bank of England moved to close down BCCI – it is alleged that members of BCCI enabled nations such as Pakistan, Senegal, Zambia and Nigeria to evade fiscal restraints placed upon them by the World Bank and the IMF.

Against this background, BCCI officials, specifically Mr Abedi and Mr Swaleh Naqvi, his right-hand man, were plotting to deliver cash and other benefits to various finance ministers, heads of state, central banks and senior executives of international and regional organisations, all with the aim of increasing deposits – the life-blood of the fraud.

While the indictment did not name names, it matched the catalogue of corrupted officials to the Congo, Nigeria, Cameroon, Morocco, Senegal, Tunisia and the Ivory Coast, Argentina and Peru.

The indictments against Mr Clark Clifford and Mr Robert Altman his Washington law firm partner, outlined how they ran First American Bank. The documents list a number of occasions when Mr Abedi or Mr Naqvi at BCCI were involved in the appointment of senior executives at the Washington bank and the selection of board members.

A presentation at London's Inn on the Park in 1983 in Altman presented plans to have the New York branch of First American as its flagship bank.

The meeting discussed what they called the "joint personality " of First American and BCCI. *In all the documents list* 60 "overt acts" to support the allegation of conspiracy to defraud federal bank regulators.

$105m fine unlikely to be a burden

By Richard Donkin

THE US plea-bargaining with Saudi former intelligence chief Sheikh Kamal Adham, who admitted violating banking laws and agreed to pay a $105m fine, was settled after long negotiations understood to have involved some political manoeuvres because of his past importance to US administrations.

The fine is unlikely to trouble Mr Adham, who has acquired considerable wealth through prominent Middle East deals. His biggest coup is believed to have been a $400m commission 20 years ago, agreed by a group of Japanese oil companies seeking a foothold in Saudi Arabia.

"The BCCI charges might have appeared to many Americans to have involved big money, but it would have been the equivalent to taking the paper clips for Adham," said an Arab former banking official yesterday.

In the UK, where Mr Adham is regarded as an old friend of British intelligence interests, he agreed this year to act as a witness in cases being compiled by the Serious Fraud Office.

The 61-year-old Mr Adham is viewed as something of an *éminence grise* in Egyptian society. Like many other prominent Arabs, he is an old boy of Victoria College, Alexandria, and many of his business connections relating to the Bank of Credit and Commerce International stem from old school acquaintances.

Mr Adham, with Dr Ghaith Pharaon, a Saudi businessman, and Mr Roger Tamraz, a banker who recently turned out to be the champion of an alternative BCCI liquidation plan, emerged as the purchasers in 1975 of the Detroit-based Bank of Commonwealth.

Two years later, Mr Adham headed a new takeover for the bank that would become known as First American.

He made a brief and unprofitable foray into British banking in 1975 when First Arabian Corporation bought a 25 per cent stake in the troubled Edward Bates Bank, which was caught up in the UK's secondary banking crisis.

Mr Adham and his partners were persuaded to supply a letter of comfort that needed to be drawn upon almost immediately. Some £70m is thought to have been ploughed into the bank by Arab interests. The bank was later taken over by an Arab consortium, joined by a 20 per cent stake from Barclays Bank, and renamed Allied Arab Bank.

Sheikh Kamal Adham: trained by the CIA

The key to Mr Adham's standing in the west, however, is his long and distinguished pedigree in Middle East intelligence operations. He was trained by the CIA.

A half-brother of Iffat, favourite wife of the late King Faisal of Saudi Arabia, Mr Adham became one of the few advisers to win the king's complete trust. Mr Adham was never so close to King Khalid, Faisal's successor, who dismissed him in 1979 when he discovered that Mr Adham had been a mediator in bringing Egypt and Israel together in the Camp David peace accord.

CONTRACTS & TENDERS

PERSONAL

COMPANY NOTICES

LEGAL NOTICES

BT redundancy scheme to cut 33,000 jobs

By Diane Summers and Roland Rudd

ONE OF British industry's largest redundancy programmes was stepped up yesterday when British Telecommunications (BT) said it would shed more than 33,000 jobs this year.

About 19,000 staff will leave on Friday. A further 15,000 jobs a year may be cut over the next four years as BT continues to streamline its organisation.

The company's workforce could be reduced from 210,200 at the start of this financial year to 120,000 by 1996.

Expected job losses this year are well above figures originally announced by BT. It had been expected that 24,000 jobs would be shed - 20,000 through voluntary redundancies and 4,000 through natural wastage. These figures have now been increased by 9,000 following unexpected demand for redundancy.

About 20,000 employees are being refused the generous terms because of oversubscription. Unions claim that many of their members were misled into thinking they would be able to take redundancy but were turned down.

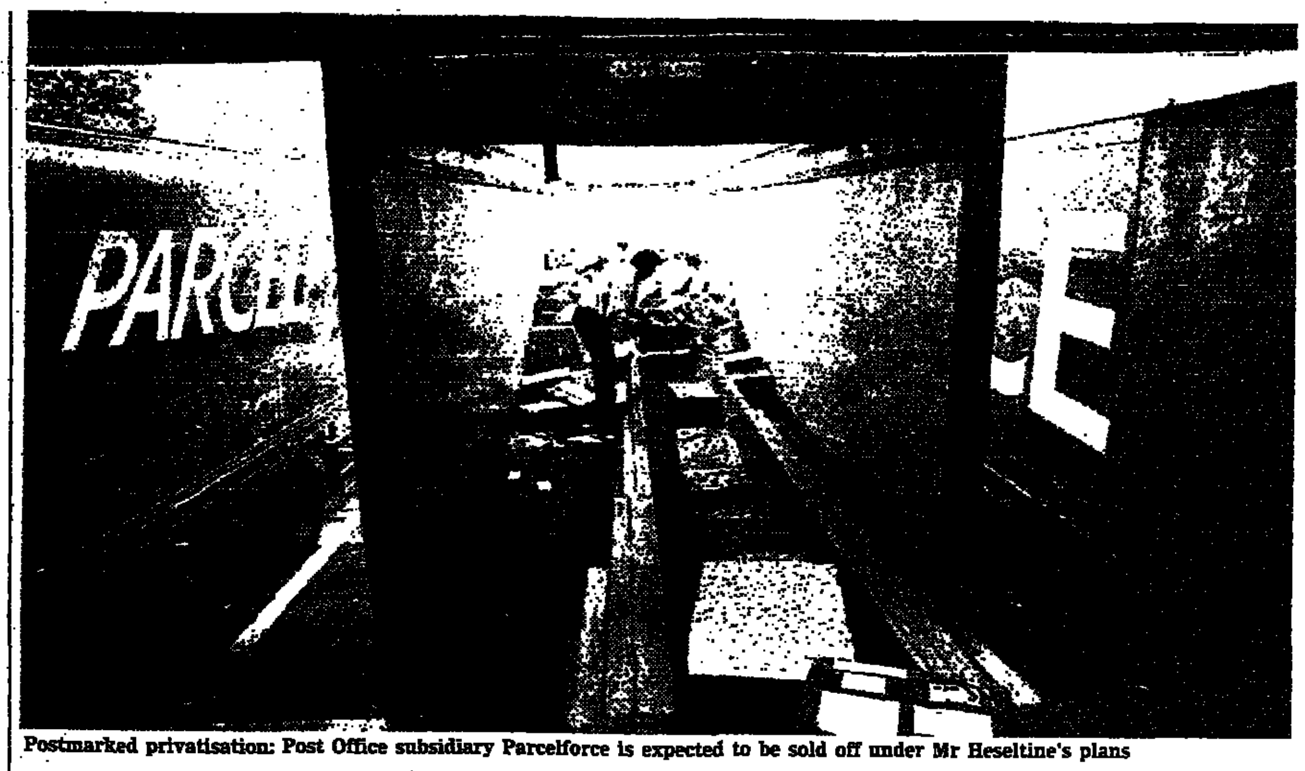
BT said yesterday it had would now be able to let go more of those who wanted to take voluntary redundancy.

The package, called Release 92, provides for payments as high as £100,000 plus pension entitlement, although the average sum is likely to be about £30,000. At least three months' guaranteed work through an employment agency, plus £1,000 in training vouchers are also being offered.

The 19,000 staff leaving at the end of this week will qualify for a bonus payment of 25 per cent of salary.

The main BT union, the National Communications Union, warned the company "not to underestimate the depth of resentment felt by those who were assured by management that they would be released and who were later refused". The Union of Communication Workers, which represents BT operators, said the redundancy programme had artificially deflated profits.

BT results, Page 17



Postmarked privatisation: Post Office subsidiary Parcelforce is expected to be sold off under Mr Heseltine's plans

Sell-off fears in Post Office shake-up

By Roland Rudd and Tim Lawrence

THE POST OFFICE may be privatised after a wide-ranging review of its organisation and structure announced yesterday by the government.

In a departure from previous policy, Mr Michael Heseltine, trade and industry secretary, put privatisation of the Post Office firmly on the agenda.

He said he had no preconception as to the outcome of the review and did not rule out leaving the corporation in the public sector. But he claimed that public ownership meant the Post Office was "shackled" with its market "creamed off" by competitors.

"There is growing interest world-wide in the potential advantages of freeing-up of postal markets," he said.

Mr Heseltine reiterated the government's commitment to proposals on the Post Office in the Citizen's Charter. These suggested lowering the its monopoly on all letters under £1 to a level closer to the price of a first-class stamp (24p).

He said the Royal Mail title would be kept, and said two companies had expressed interest in the possibility of bidding for Parcelforce.

Mr Alan Johnson, general secretary elect of the Union of Communication Workers, the largest union in the Post Office, said: "We are afraid that the government is about to embark on a pre-meditated carve up of a respected and efficient public service."

Warning call on tour groups

By David Owen

THE UK government is to seek early warning of tour operator collapses by asking insurers if they are refusing to trade with particular holiday companies.

The move follows the disclosure that General Accident stopped taking policies from Land Travel, the failed coach tour operator, some two days before the company went into liquidation last Friday.

The collapse left about 50,000 people who had booked holidays with the west of England company with no prospect of recovering their money.

General Accident, the Scottish-based insurance company, said yesterday that it withdrew Land Travel's authority to issue policies on July 22 after the company stopped a "fairly substantial" cheque due on that day. It was still owed "a substantial amount of money" by Land Travel, the insurer said.

The government also undertook yesterday to look again at proposals to improve protection for holidaymakers. A European Community directive that makes bonding compulsory for tour operators is due to be implemented on January 1.

Defending the government's attitude to last week's collapse, Baroness Denton of Wakefield, a junior trade and industry minister, held out no hope of compensation for those affected but said her department would "continue to monitor the situation carefully".

In a letter to Mr Nigel Griffiths, Labour's consumer affairs spokesman, she admitted that the Department of Trade and Industry was not aware that one of the principals of Land Travel had previously been a director of a travel company which had gone bankrupt.

Her comments were seized on by Mr Griffiths who claimed that the government's monitoring of companies in trouble was "almost non-existent".

Labour attacks policy on EC

By Ivo Dawnay, Political Correspondent

MR JOHN Smith, the new leader of the Labour party, yesterday attacked the "failure" of Mr John Major, the prime minister, to use Britain's presidency of the European Community to seek co-ordinated action on jobs and interest rates with the UK's Community partners.

That charge appeared to win implicit endorsement from the Confederation of British Industry yesterday when it also called for action across Europe to cut interest rates to boost economic recovery.

The industrialists' prescriptions included investment incentives and a call for a stimulus to the housing market.

Mr Smith's criticism stopped short, however, of pressing for a revaluation of the D-Mark in the EC's exchange rate mechanism - a move that he had hinted might win his backing during the three-month-long Labour leadership election.

Instead, the opposition leader put the stress on the need to tackle rising unemployment and the fear of unemployment which was sapping confidence and undermining investment.

Labour party officials said that the leadership recognised there were no instant solutions but claimed that the government's "there is no alternative" message was highly vulnerable to systematic criticism.

Chairing the first meeting of his new "shadow cabinet" team, the Labour leader urged colleagues to use every opportunity to call the government to account for "sitting on their hands" as unemployment continues to rise.

"Unless the government takes action the lack of confidence that pervades Britain will continue," Mr Smith said in a statement released after the two hour meeting.

"Unless they recognise that unemployment is not just a tragedy for the unemployed themselves, but for the country as a whole, there is no prospect of confidence returning."

Britain in brief

Company start-ups hit by recession

The number of new companies being formed continues to fall, according to a survey which will heighten worries about the impact of the recession.

According to Jordans, a business information group, 56,022 companies were created in the first half of this year, a drop of 3.1 per cent on the 57,788 formations in the same period last year.

Though the year-on-year fall is lower than early in the recession, the figure indicates how the weak economy has reduced opportunities for entrepreneurs.

Japan hails UK companies

UK companies under-rate the standing in which they are held by Japanese customers, according to a survey by Touche Ross accountants.

The analysis of 100 companies which were either Japanese or British selling goods to the Japanese showed that all felt relations had either been stable or improved in the last five years with greater trust and understanding.

The Japanese companies said UK suppliers had improved their communication skills, quality and attention to customers in the last five years.

Lotus seeks bike partner

Lotus Engineering, the consultancy design and engineering arm of General Motors' UK sports car subsidiary, is looking for a partner for the production and distribution of a roadgoing form of the "supercycle" used by gold medallist Chris Boardman of the UK in the Olympic pursuit cycling in Barcelona. It wants versions of the "LotusSport" pursuit cycle incorporating the basic concept of a one-piece moulded monocoque frame, on world markets next year.

Failure to do so, it fears, would risk losing the benefit of the unexpected publicity for the machine. "We could lose the market to makers of replicas which might look the same but lack its integrity and performance," Lotus spokesman Mr Patrick Peal said.

Auction house sales decline

Sotheby's and Christie's, the world's two largest fine art auctioneers, have announced sales figures for the 1991-92 season, which is just ending. They reveal a further but slowing decline in turnover. Sotheby's reported sales of $1.14bn, a fall of 15 per cent over the previous season. For Christie's 1991-92 sales totalled £609m, 8 per cent down on 1990-91. A year ago both salerooms were recording reductions in turnover of almost 60 per cent compared with 1989-90.

Sponsor likely for FA Cup

The England Football Association has confirmed it is in the early stages of negotiation with several potential sponsors of its FA Cup soccer competition. Such a deal will probably resemble the type of sponsorship practised at the Olympic Games. Reports that Coca-Cola are due to announce a major football sponsorship on Friday are understood to be unconnected with the FA Cup.

Norton Rose leads advisers

Norton Rose, the City solicitors' firm, was the leading legal adviser to companies and financial advisers involved in UK public takeovers during the first half of 1992.

The firm heads the takeover advice table for the first time, as a result of its part in 10 bids with a combined value of £4.5bn.

The table, produced by Acquisitions Monthly, places Clifford Chance second with seven deals worth £3.9bn and Herbert Smith third with five deals worth £1.2bn.

THE BARCELONA OLYMPICS

Dream Team fantasy worth every dollar

Peter Berlin peers beyond the hype to see what makes America's basketball players the toast of the Games

SO FAR the matches in the men's Olympic basketball tournament have followed a simple formula: A team with one man who plays in the National Basketball Association - the top US professional league - will beat a team with no NBA players. A team with two NBA players will beat a team with one. And a team with 11 NBA players pulverises *everyone*.

The German team offers a perfect example of the power of the NBA. It has one NBA player: Detlef Schrempf. Last year Schrempf was voted the league's best "sixth man". In a sport in which teams have five men on the court, this is a dubious honour. Schrempf would no doubt prefer a more prominent role but on a strong team, such as his Indiana Pacers, the sixth man is important.

Schrempf cannot walk on air like Michael Jordan, sink impossible shots like Larry Bird or conjure passes like Magic Johnson. He does not dominate under the basket like Patrick Ewing. But he is versatile. He jumps, shoots, passes and rebounds better than the average NBA player and a lot better than any of his German team-mates.

After two games, Schrempf leads his team in practically every statistical category. He has played nearly every minute. He has scored 35 per cent of their points. Schrempf is responsible for nearly half his team's defensive rebounds and half their steals.

Against Spain, Germany trailed early on. Schrempf sparked their recovery. Against unfancied, unknown Angola, Germany were behind by seven points at half-time. Schrempf led the fight back, though in the dying minutes Angola steadied themselves.

Predictably the smaller, quicker Angolans made Germany look ponderous and unimaginative. But the Angolans were also making the Germans look stupid. The agile, brave Jean Coçeiçao attacked the basket at every opportunity. When the Germans fell back to block his routes, Manuel Sousa and Anibal Moreira used the space and time to score with three-point shots.

German defenders began to shout at each other. But Schrempf stayed cool. He sank his shots while team-mates missed and rallied the defence. As Angola's last-second surge ended in a collision of bodies, Schrempf stood alone beneath the basket coolly clasping the ball and a one-point win in his hands.

On Monday, Croatia took on America's Dream Team.

"I never saw that kind of defence before," said a Croat when the US won 103-70. The only Croats who looked comfortable against the Americans were Drazen Petrovic, even though he tried to do too much himself, and the 7ft 1in, 18-stone Stojko Vrankovic, in his limited role of the beast under the basket.

The quality in depth of the US Olympic team is unprecedented. As a team it is capable of a level of play unseen even in the NBA. There are many critics who would rather it remained unseen. In part, this is because the US team has carried the once-amateur Olympics to new commercial extremes.

Michael Jordan of the US: helping to beat up smaller nations

One of the US Olympic Committee's sponsors, Reebok, has designed an especially garish track suit for Americans to wear at medal ceremonies. "And I will be watching to make sure there is compliance," said John Krimsky, the committee's deputy secretary-general.

"He can watch as much as he likes," countered Jordan, who has a contract with Nike, "but there is no way in the world I would wear a suit made by Reebok."

"You are not dealing with a sports team, but seven or eight rock stars," said Dick Pound, the International Olympic Committe member responsible for the Olympics' more aggressive commercial approach and certainly not a critic of the Dream Team. "We may have to give some thought as to whether we go the rock star route or have a rock star quota."

Olympics administrators are not the only ones to view the Dream Team's appearance in Barcelona as an experiment. As one US journalist said: "The test of whether this has been worth it for the players will come next spring after they have been playing for 18 months non-stop."

Even Olympic team-mates feel ambivalent. Mike Barrowman, the US swimmer, said: "This is the Olympics, not the NBA. I love these guys. I want them to kill everybody. But this is our chance to come through for our country. We only get that chance every four years. They get it every day."

According to Dick Pound: "Americans get excited if they win anything. It doesn't matter if the Dream Team take on a girls' high school team, they enjoy it. NBC's ratings seem to grow with the Dream Team's margin of victory. It is certainly disturbing that the people of the world's only superpower enjoy seeing their boys beat up small, weak nations, but it is hardly the team's fault."

After beating Croatia, Jordan said: "There is not a single team in the tournament that can beat us." While the Croatians may secretly hope to ambush the US in the final, they know that Jordan is right. Even so, they want the Dream Team in Barcelona.

After Tuesday's game Petar Skansi, Croatia's coach, said: "We have players with the talent to play against the NBA players. But to do that they must play in the NBA. Kukoc can't play better in Europe. He is the very best player here. Not there."

The fans want the Dream Team in Spain, too. They roared when Croatia staged small rallies.

But when the Americans replied by producing their most breath-taking play, the response was tellingly different. The roar was replaced by gasps and by the shutter-snap of 1,000 cameras.

The Dream Team's games are unlikely to produce the wrenching tension of Germany's win over Angola or Spain's 101-100 victory against Brazil.

But when the US players do things the spectators never imagined humans could do; when Magic makes the ball disappear behind his back and materialise in a team-mate's hands, and when Charles Barkley, the pantomime villain, slam-dunks and swings on the rim against the backdrop of a Milky Way of twinkling flashbulbs - why, then, the Dream Team provides the fantasy that sport should offer.

Eventing: killer heat and rock-hard ground test British grit

Keith Wheatley describes the complex equations that determine physical survival and success in Olympic equestrianism

FEW sports demand the individual bravery and team discipline of three-day event riding. Over a cross-country course that can kill horses and riders, a competitor must weigh the needs of his horse, his own life and limbs - and the points on the team board.

Britain's Richard Walker was shaken when he came off the cross-country course at El Montanya yesterday. His horse Jacanda had refused and thrown him head first over the 5ft 13th fence. "I changed his stride to find the right spot and when I pressed the accelerator the revs weren't there," said Walker, 41.

"I'm very frustrated: Jacanda didn't make a mistake. The problem was between the hat and the saddle." The pressure on Walker had been enormous. Britain had entered the second phase of the three-day event in first place after a totally unexpected success in the dressage section.

Walker's role as lead of the four British riders was to ride a conservative clear round, building a platform for team-mates to take a few chances, cut times and increase the team's lead.

Mary Thomson, this year's Badminton winner and the team's rookie, had expected to be given this sometimes frustrating spot.

"You tend to forfeit any chance of the individual gold medal if you ride first, since you must just stay out of trouble and go for a clear round, not really watching the clock," she said.

She was among the first to console the unhappy Walker as he unsaddled among the olive trees that shade the assembly area. Given the topography, it is scarcely surprising that the course has far more rise and fall than is usual at international events. "The climbs are quite severe and at the top the horse doesn't expect to have to put maximum efffort into a jump," said Walker.

Although he fell at the 16th, it was at Hell Hole, the tiered 13th, a terrace culminating in a water splash, that Walker's problems began. Jacanda stumbled into the pond and Walker fell sideways from the saddle, balanced for a second between disaster and recovery.

Although experts rate the fences tough, it is the combination of factors that made El Montanya a Waterloo for eventers. The ground was rock-hard, while heat and humidity made it impossible to push horses to the limit. As Walker said: "I have to look to the future with this horse as well as try to win at the Olympics." The course vet fought to save the Russian horse Dakoz after it collapsed with heat exhaustion.

After Walker's mishap, the British team met for an urgent re-think of strategy. It was decided that Dixon and Thompson, riding third and fourth respectively, would take the "chicken routes" at the more daunting fences, losing time but increasing the chances of a clear round.

Britain's main rivals were not so constrained. Current world champion Blyth Tait of New Zealand scored a blistering clear round on Messiah, heading the leader board on 13 minutes 22 seconds, the day's fastest.

Yet Walker's bad luck did have some bonuses for his team. The 16th fence made them wary. Most opted for the long route after Walker, although few had before. Sweden's Erik Duvander was thrown heavily at the same spot and thereafter most competitors treated it with care.

It was at the same spot, rounding the pond, that Karen Dixon suffered her bad luck. As Get Smart leaned into the turn the much-loved horse threw a hind shoe. Nevertheless, Dixon was able to complete a clear round that even with time penalties kept her in the top six.

Final British rider Ian Stark on Murphy Himself rode the same disciplined pattern, in the baking heat of afternoon.

Overall, it was a superb effort that left Britain in second place on 248 points, eight behind NZ with Australia third (273). Mary Thomson's first-rate ride put her in third place individually, with today's show-jumping still to come.

Barcelona '92

Sadovyi snatches third gold

Evgeny Sadovyi of the Unified Team shattered the world record in the men's 400 metres freestyle when he won his third Olympic swimming gold medal. The shaven-headed Russian edged out Kieren Perkins in a dramatic last-length battle as both dipped below the Australian's world mark.

Sweden's Anders Holmertz led from the start until the final length but had to settle for bronze.

Meanwhile Nick Gillingham won Britain's first Olympic swimming medal when taking the men's 200m breaststroke bronze with a new Commonwealth record of 2 min 11.29 sec. Mike Barrowman of the US took gold with a world record of 2:10.16. Norbert Rozsa of Hungary was second.

$1m Spanish gold

Spanish gold medallists at the Games are to receive $1m pensions from the Barcelona bank headed by International Olympic Committee president Juan Antonio Samaranch.

Team officials said the incentive scheme offered by La Caixa, whose chairman is Samaranch, ranged from Pta100m (£546,400) for an individual gold to Pta20m for fifth place.

1m tickets unsold

About 1m tickets are still available for Olympic events, a spokesman for Barcelona's organising committee said. Pedro Palacios said more than 3m tickets had been sold.

Gold for Armenia

Weightlifter Israel Militosian of Armenia beat arch-rival Yoto Yotov of Bulgaria in the lightweight (67.5kg) class.

MANAGEMENT: MARKETING AND ADVERTISING

John Thornhill explains how Sainsbury's turned crème fraîche into a smash hit with shoppers

Whipped-up taste for sour cream

Catherine Zeta Jones smiles seductively at the camera and purrs: "It's irresistible."

The actress, who is the sweetheart of the tabloids after her performance in the television series The Darling Buds of May, is describing the attractions of crème fraiche in the latest of a series of "celebrity recipe" advertisements run by J. Sainsbury, Britain's biggest grocer.

She has demonstrated how to make a fresh fruit brulée using one of Sainsbury's new products, crème fraiche, described as having the smooth texture of double cream with a pleasant sharp flavour.

The recipe seems to have tickled the taste buds of the nation and has been cooked for countless dinner parties as hosts attempt to beat the Joneses with their culinary skills.

But the product also illustrates the marketing power of the big grocery chains and their ability to change the nation's eating habits.

Sainsbury's is coy about releasing sales figures for fear of giving its rivals sensitive information. But Mr Tom Vyner, managing director, describes them as "astronomic".

"If a brand manager developed a product that sold £1m in the first month and £12m in the first year he would be happy", he says. Crème fraiche is selling more than that, he adds.

Each year, Sainsbury's, Tesco and Safeway launch more than 1,000 own-label lines apiece and are powerfully placed to control a product's development from initial conception to in-store promotion. Their position in the market gives them valuable knowledge of consumer spending patterns and increasingly pitches them into competition with the big consumer products companies, such as Nestlé.

Last year, Sainsbury's spent £15m supporting its brand image in television and press advertising. Its arch rival, Tesco, laid out £24.9m, outspending every other consumer product brand in the UK. It, too, has created new markets almost overnight and cites the example of free-range chickens backed by television advertisements featuring a clucking Dudley Moore.

Ideas for new products stem from many different sources, according to Mr Robin Whitbread, Sainsbury's marketing director. The company's buyers visit stores abroad to see what sells well. Its suppliers suggest possible new lines and its market research department sifts piles of data. "We are looking for what sells in large volumes abroad but does not sell in the UK," he says.

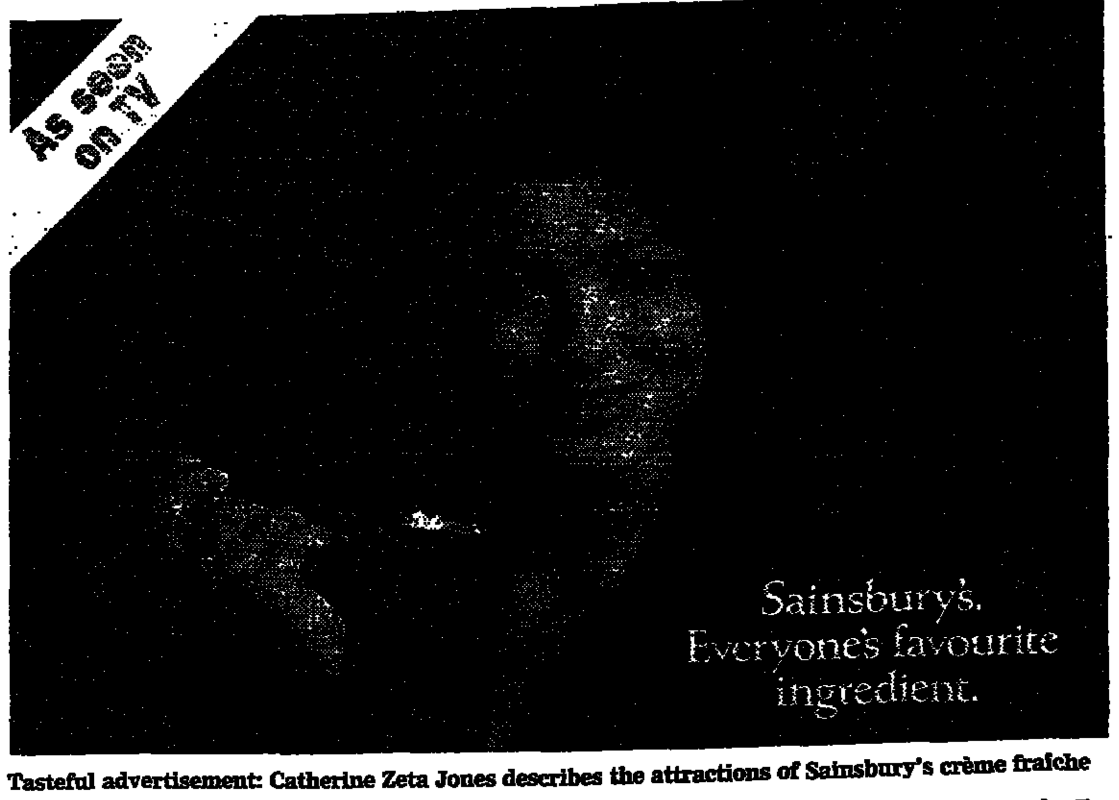
The idea for selling crème fraiche came from one of its buyers who visited D'Isigny, a French food manufacturer in Normandy.

Sainsbury's conducted trials to assess whether crème fraiche was acceptable to the British palate using a panel of 100 volunteer tasters.

"We thought that the product was absolutely right for the JS customer and complemented the rest of our dairy range" says Whitbread.

Last year, crème fraiche was launched at selected Sainsbury's stores under D'Isigny's own label. Initially, it was promoted solely by means of shelf-edge labels describing where the product came from and how the French used it.

Once Sainsbury's became convinced that the product had mass appeal, it decided to launch its own-label crème fraiche last March. The company's designers created the package and wrote an accompanying recipe leaflet. A press release attracted comment from food writers and magazine advertisements were also placed. Crème fraiche was launched in 170 of its 320 stores at a specially-reduced price of 69p for a 200ml tub. The regular price was set at 75p or 4p less than the D'Isigny branded product, which was subsequently withdrawn.



Tasteful advertisement: Catherine Zeta Jones describes the attractions of Sainsbury's crème fraiche

After an encouraging response, crème fraiche was extended to all Sainsbury's stores and in May the company began supporting it with television advertisements.

"The celebrity is important but the food is the real hero," Whitbread says. "The campaign works both from a strategic and a tactical point of view. It emphasises both the values of the JS brand but also the attractions of individual products."

Some of the celebrity recipe advertisements have generated more than tenfold increases in sales of particular products and necessitate close liaison across all functions of Sainsbury's business: the buying department has to step up orders of related ingredients; the distribution experts have to push more products through the system; and the store staff have to know about various promotions to answer customer inquiries.

Over the past 20 years, Sainsbury's has increased its number of lines by four times tempting the British middle classes with new products as varied as mangoes and pink champagne. The company claims it was also the first grocery chain to introduce fromage frais in 1984 helping prepare the palate for crème fraiche. Total UK sales of fromage frais are now £88m a year.

But new food products and concepts do not always work. For example, Sainsbury's was disappointed with the results of its first experiment with ready-made chilled meals in 1985-86 – although it has since expanded its range with greater success.

Other retailers would attest to the truth of that remark. Although Sainsbury's claims it was the first to sell crème fraiche in the UK market, the product briefly appeared on Marks and Spencer's shelves four years ago. "We think it was ahead of its time," the company said, adding that it was likely to reappear in its stores over the coming months as a result of its success "elsewhere".

Games war on the cards in Barcelona

American visitors at the Barcelona Olympics could be forgiven for being confused about their choice of credit cards, writes Gary Mead. Should it be Visa, or maybe American Express?

The arch rivals traded punches during February's Winter Olympics at Albertville where Visa – one of 12 leading official sponsors sanctioned by the International Olympic Committee (IOC) – accused Amex of "ambush marketing".

Visa is believed to have paid $20m to join the IOC's sponsorship programme. In return, Visa may use the five Olympic rings on its advertising and promotional materials.

Visa complained that although Amex was paying nothing, its advertising implied a close association with the Games.

In February, Amex was sued by the IOC for alleged improper use of Olympic symbols. The French courts found against Amex on one count but rejected the IOC's claims on another, related accusation.

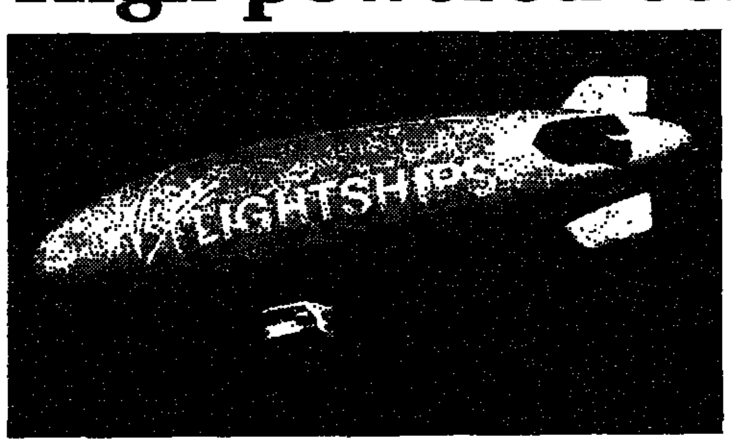
The recriminations have now resurfaced. In the US, where comparative advertising is king, Visa is exploiting its $20m payment with television advertisements which hint that not only does Visa have an exclusive connection with the Barcelona Olympics, but that its main competitor, the green Amex card, is positively unwelcome.

Thus Visa has run a series of 30-second commercials showing a range of field and track, wrestling and basketball events. The commercials cut from sport to disgruntled clerks behind a grille, with the voice-over commentary: "You think they're tough? Wait till you see the guys at the ticket window if you don't have your Visa card. Because once again the Olympics don't take American Express."

To combat that truth-economical slogan, Amex have replied with their own Barcelona-connected television ads. One commentary begins: "American Express first came to Barcelona in 1921" and quickly runs through all its Spanish-based services. It concludes: "So if you go to Barcelona, take the American Express card – obviously we are here for more than just the fun 'n games." Another Amex ad puts it more bluntly: "Remember, to visit Spain you don't need a visa."

A word of warning to US readers; cash does very nicely in Spain.

High-powered commercial slogans reach for the sky



When the Boston police received several telephone calls last week reporting UFO sightings, they knew what to tell the panicked sky watchers – the strange object was not a UFO, it was a Virgin Lightship blimp.

Dirigibles are making a comeback. Ten years ago, only Goodyear Tire and Rubber clung to that form of advertising. More recently two companies – Virgin Lightship and Airship International – have begun hiring out blimps as an advertising tool. Fuji Film now owns and runs its own dirigible, and Goodyear has added two more to its fleet.

The popularity of dirigibles is based on more than just the romance of the past. Virgin Lightship runs three in the US and Europe. Besides Virgin Atlantic, clients for the dirigible include McDonald's restaurants of Canada, the telecommunications group MCI, Coca-Cola, Renault cars and the Daily Star of London.

Virgin Lightship, which is based in Orlando, Florida, and Telford, England, was the brainchild of Richard Branson, a well-known balloon aficionado. Though smaller than others in the market, the company's dirigibles are the only ones lit from within, making them easily visible at night. The company's main competitor is Airship International, operating dirigibles for Metro Life Insurance and Anheuser Busch, which uses the blimp to advertise its Budweiser beer brand and Sea World, its amusement park in Florida.

The Virgin blimp is producing results. The awareness of the airline in Boston, where the blimp was to be seen, after a month of marketing was four times greater than in Los Angeles, where it was not seen.

Goodyear has also found its blimps effective. "Name recognition for our company goes up at least 10 per cent after our blimp has spent two to three weeks in a city," said Micky Wittman, manager of the company's airship programme.

"We get a lot of attention from the press," said Ms Ingraham of Virgin Atlantic. "And, of course, we love the UFO sightings."

Dirigibles are expensive to operate – between $150,000 and $250,000 a month. But companies say the money is worth it because of deals with television companies.

Dirigibles make perfect television camera platforms. They are petrol-efficient, can stay up almost indefinitely, and are steadier than helicopters.

Victoria Griffith

TECHNOLOGY

Paul Taylor outlines the advantages and prospects of multimedia packages

CD-I ushers in new era of training

In the UK it is hardly possible to pass a poster site without noticing Philips touting its new CD-I (Compact Disc-Interactive) technology. By plugging a CD-I player into an ordinary television set, customers gain access to a world of multimedia programmes which can entertain, teach and train.

Using five inch diameter optical discs to store sound, video images, text and graphics, CD-I technology promises to reshape corporate training methods, providing savings and improving effectiveness.

CD-I is a new form of the interactive video (IV) technology which has become popular for company training programmes. IV training packages or "courseware" need a separate desktop computer, but CD-I's digital discs can be played back on an inexpensive, compact and portable CD-I player and a TV set.

Trainees can control the pace of lessons, make choices by mouse pointer, and get feedback.

Interactive video software is a proven training medium. Advocates claim its advantages include higher levels of learning success, more flexible learning, and a sharp reduction in training time.

Bigger savings are claimed for the CD-I technology of Philips, Sony and Matsushita. Player prices start at about £600 in the UK and are expected to fall.


Seizing a rare opportunity: Futuremedia's managing director, Derek Moore, left, with chairman Peter Copeland

Peter Copeland, founder and chairman of Sussex-based Futuremedia, a multimedia software pioneer, says CD-I discs may cut training costs.

Software suppliers like Futuremedia are racing to deliver the first CD-I training packages. Copeland's 10-year-old company, with 60 employees and a turnover of more than £5m, built its business producing, publishing, and distributing interactive video discs and conventional computer-based training (CBT) titles.

With 46 interactive discs, including 11 CD-I titles, in production, Futuremedia claims a pivotal position in the multimedia training software industry. Titles include a three-disc programme with Thames Valley TEC and the National Retail Training Consortium.

Lloyds Bank, British Gas, the Post Office, Glaxo, IBM and Ford saw interactive video as a way to cut training costs and improve effectiveness.

The first Ford interactive video programme, to pass training in statistical process control (SPC) to shopfloor level, has involved more than 400,000 people so far.

Interactive video courseware will remain the backbone of Futuremedia's business for the present. The company has more than 100 IV titles in its catalogue of which it has produced about 20 per cent. Copeland hopes however that CD-I software sales will help attain a target of £7.5m in sales this year and £100m by the end of the decade.

The UK market for multimedia training is estimated at about £250m, from a total professional training market, including hardware, of about £20bn.

Having proved the concept of interactive computer-based training with optical videodisc, and with CD-I about to burst on the market, Copeland believes that multimedia will swiftly replace traditional corporate training methods and "industrial-age classroom training."

A mighty mouse is pushing back the walls of the language laboratory, writes **Christopher Price**

Eloquent idea stresses that learning is a verb

The months and years of struggling to learn a foreign language using books and tapes may be numbered. A plan to develop Europe's first low-cost digitalised language learning laboratory has recently won EC backing, with the specific aim of making language learning easier, interactive, and more affordable.

The European project, named Eloquent, will design and produce software for a computer workstation which can operate as a stand-alone unit or within a network.

"The traditional language learning experience is highly inefficient," says Prof Stephen Hagen, Eloquent's project director. "We intend to create a system that gives flexible and open learning, freeing both student and tutor from their conventional roles."

Traditional language teaching methods and materials often fail to address the very different learning requirements of individual students.

Recent research by the National Council for Education Technology found that, on average, students only absorb 10 per cent of what they read; 50 per cent of what they hear and see; 70 per cent of what they say themselves; and 90 per cent of what they do themselves.

"The NCET study is further evidence that the student has to be actively participating and using all his or her senses to learn effectively. The multi-media option of Eloquent offers this solution," says Prof Hagen.

The Eloquent workstation is based on Acorn A5000 and A540 computers. The language programme is written onto high-density CD-ROM (compact-disc read only memory) and optical read-write discs are used to record the student's responses, either spoken or written.

A record of the student's progress is recorded on disk. If a number of workstations are connected in a network, a tutor can access any of the units while the students are working, interacting and giving guidance.

A French lesson, for example, might provide the student with a colour video of a busy Paris street. The film scene would hide several "hot spots". With the click of a computer mouse, the student can select parts of the program to explore.

Thus, a click over the baker's shop in the video will provide the student with a more detailed view of the inside of a baker's shop, either in moving or still pictures. The student may then be asked to identify certain items, make a purchase or hold a conversation. These are recorded and filed, either for a tutor to check later, or for the student to return to. A double click on the mouse would return the student to the street scene.

Other developments being planned for Eloquent include using foreign language satellite broadcasts which the workstation could receive via telephone or cable. The broadcasts could then be sampled, allowing the student to select his or her own programme.

It is the cost of the Eloquent system, however, which has most excited the language learning establishment. The basic cost of an Acorn workstation, disc and other software, will be less than £2,000. However, it is estimated that about 65 per cent of UK schools and colleges already use Acorn computers, so upgrading these existing computers will greatly reduce costs.

Eloquent's initial budget of £1m will be half-met by the EC, with the remainder coming from the consortium partners: City Technology Colleges, Acorn Computers and Crystal Presentations from the UK, Dida-El (Italy), Link (Germany), Multi-Media Systems Institute (Greece) and Learnout and Hauspie (Belgium).

BRITISH ENTREPRENEURS

Betting the farm to construct a network

Louise Kehoe continues a series profiling risk takers whose 'can do' attitude is yielding dividends

Robert Madge freely admits that he knew nothing about computer networking when he formed Madge Networks in 1986. "But I recognised the business potential of the technology," he recalled, in the course of an interview at the 200-year-old Buckinghamshire farm that houses Madge Networks' engineering offices.

He attributes the success of Madge Networks, which is expected to more than double its 1991 revenues to surpass $70m this year, to a mix of "common sense, business sense and good luck".

Focusing on IBM-compatible Token Ring network systems, Madge has developed a range of adapter cards, routing bridges, and cabling hubs the critical "plumbing" elements of computer networks as well as software programs that optimise the performance of networks.

Madge set about creating his own business after the computer games company that he was working for went into bankruptcy; a setback that only served to harden his determination to be his own boss.

It was literally a case of "betting the farm". Madge mortgaged his property to fund the new venture , taking on "considerable personal financial risk" to hire four former colleagues and to develop from scratch products that would compete with International Business Machines' own networking systems.

"Others were concerned about competing with IBM, but we had nothing to lose," Madge recalls. "We didn't know how wide our market niche could be, but it was clear that Token Ring technology would be a success." IBM's endorsement of Token Ring networking, which works on the principle of passing blocks of information or message "tokens" between computers, all but ensured a large scale market.

From the outset, Madge wanted to build an international business. In 1987, slightly more than a year after the UK company was founded, Madge established its US subsidiary, based in San Jose, California, in the heart of Silicon Valley. The decision proved critical to Madge Network's success. "The US pioneers the use of new technology. Our products were very quickly accepted there and sales went up like a rocket ship. Last year, 40 per cent of Madge sales were in the US."

Madge Networks does not hide its British origins; at trade shows, US guests are given fish and chips and bowler hats. Many customers, however, think of Madge as an American company, he acknowledges. "That is an advantage."

In international markets, there is a broad perception that US high technology companies are more likely to develop quality products,


Robert Madge: hiring fast

Madge says. "US culture has permeated high technology markets in all countries."

It is, he suggests, more difficult for a UK high technology company to sell in France, for example, than it is for a US high technology company. "The barriers between different countries in Europe are much harder to overcome than those between the US and Europe."

Madge is, however, "highly sceptical" of European government funded efforts to boost high technology research and development. "Centralised funding creates overblown bureaucratic organisations," he complains. "There is an old boys' network, so most of the funding goes to established companies with large R&D groups, which have very low productivity."

Although EC programs may have been created to stimulate R&D, they "distract people from being market oriented. There has got to be a market pull for new technology; it cannot be pushed by committees."

Having built businesses on both sides of the Atlantic, Madge is in no doubt that it is "very considerably harder" to form new ventures in the UK. The small home market is a significant disadvantage for British entrepreneurs, Madge says.

Ready access to venture capital also makes life easier for US entrepreneurs, especially those who already have a track record in the industry, Madge suggests. "In the US, there is usually very little personal risk attached to starting a new company. All that the founders are risking is the loss of their own salary."

However, Madge himself has eschewed venture capital. "In 1988 we tried to raise venture capital. We got one offer from a British venture capital group, but the valuation that they put on the company was terrible."

Instead, Madge turned to a US technology partner, 3COM, with which it had formed a development alliance. 3COM took a ten per cent stake in Madge Networks, paying 20 times as much for its shares as the venture capitalists were willing to offer.

Although the 3COM alliance, which also involved Microsoft, did not live up to expectations, partnerships are now an important part of Madge's business strategy.

What's next for Madge? With almost 200 employees world wide, Madge is hiring at a rate of two or three people per month. The company is developing products for faster networks based on fiber distributed data interface technology, as well as broadening its base in PC networking to include UNIX workstations.

"Our goal is to provide the best networking products for large corporations to perform enterprise critical applications.

"We intend to become one of the largest specialised networking equipment companies in the world", Madge insists.

The series will continue next week.

FT LAW REPORTS

Oil grant is allocated

TOTAL OIL MARINE PLC AND ANOTHER v AMERADA HESS LTD AND OTHERS
Court of Appeal
(The President, Lord Justice Staughton and Lord Justice Scott):
July 23 1992

GRANTS FOR capital expenditure incurred in the construction of an oil terminal by pipeline groups under agreements providing for participation adjustments to be made by proportional debiting and crediting of expenditure and receipts each year, is allocated between groups in proportion to their participation when it is received, not when the capital expense was incurred, and is deducted from expenditure in the calculation of participation adjustment payments.

THE Court of Appeal so held (Lord Justice Scott dissenting) when dismissing an appeal by BG United Kingdom Inc and other defendants from Mr Justice Saville's decision on preliminary issues relating to the allocation of regional development grant, in an action by Total Oil Marine plc and another, against Amerada Hess Ltd and others.

LORD JUSTICE Staughton said the Sullom Voe terminal in the Shetland Islands was supplied with oil and gas by two pipelines from the North Sea.

The oil was collected from wells owned by a number of companies.

The Ninian pipeline, owned by the Ninian Pipeline Group, was operated on behalf of the companies by BP Petroleum Developments Ltd. The Brent pipeline, owned by the Brent Pipeline Group, was operated by Shell UK Ltd.

Membership of each group and the shares of each group and each participating company varied from time to time.

Massive capital expenditure was incurred in the construction of the terminal between 1975 and 1980. It qualified for a £534m grant under the Industry Act 1972. The grant was paid in four amounts between March 1983 and November 1984.

On preliminary issues tried in November and December 1990, Mr Justice Saville declared that (a) as between the two pipeline groups, grant should be appropriated in proportion to their respective participation at the time it was received; and (b) grant should be taken into account as negative capital cost in the calculation of participation adjustment payments when received.

Mr Stamler for the appellants argued that grant should be allocated in the proportion prevailing when the capital expenditure was incurred; and should not be brought into account in the adjustment to past capital expenditure.

A "terminal participants' agreement" and a "terminal construction agreement" between the two pipeline groups on behalf of themselves and the member companies, were executed on June 28 1976. Each had some retroactive effect.

In the participants' agreement, Article V regulated the extent to which each pipeline operator was to bear the cost of capital expenditure in any year. Article VI was concerned primarily with payment to be made by one pipeline group to another when and as often as there was a change in the proportion that each was using or was capable of using the terminal.

Article V regulated who should bear capital expenditure on general support facilities, such as main roads in the terminal, in any year. By Article VI whenever there was a change in the proportion of one operator's peak pipeline capacity, there was to be a valuation of all the general support facilities. The operator whose proportion had increased had to pay an appropriate percentage of the value to the operator whose proportion had decreased.

The treatment of common facilities, such as pipes and pumps was similar.

For both the general support and the common facilities, the procedures required calculation of the "depreciated replacement value" in accordance with a formula based on replacement value previously determined ("item A"), capital costs expended since that previous determination ("item B"), and an escalation factor based on average earnings and costs ("item E").

By clause 6.06 in Article VI the procedures were to be reviewed from time to time "to ensure that all pipeline operators shall always bear an equitable share of the cost of the said facilities".

Under the construction agreement BP was appointed constructor. There was to be a joint account by which accounting records were to be sub-divided to enable "costs and receipts" to be allocated to groups in accordance with the terminal participants' agreement.

Attachment C, headed "Accounting and Control Procedures", provided by clause 3.11.3 that all applications for grants should be channelled through the constructor and credited to the relevant sections of the joint account.

The first question was how regional development grants received should have been distributed?

The whole tenor of the financial provisions was that there was to be a running account in each year, and that with one exception all expenditure and receipts were to be debited or credited to it in the proportions prevailing that year.

Receipts mentioned in Attachment C were meant to be credited in the proportions prevailing during the year of receipt. It seemed a clear inference from clause 3.11.3 that participants should account for grant to operators in the proportions prevailing at time of receipt.

In agreement with the judge, it was held that by the terms of the two agreements grant was to be allocated to pipeline groups in the proportions prevailing when it was received.

The second question was whether grant was to be taken into account as a deduction or negative capital expenditure, in calculating participation adjustment payments.

Common sense suggested that it should be, since the apparent aim of the provisions was to transfer the burden of past capital expenditure to new entrants, or to those whose participation was increased.

The agreements contemplated not only grants, but also other receipts such as the proceeds of sale of surplus.

It would seem unfair if a new entrant had to pay the historic cost of assets when they had been sold and the proceeds had been received by his predecessor. The inference in clause 6.06 was that it was intended to provide for equitable sharing.

When assets were "removed, replaced or abandoned", the depreciated replacement value was to be adjusted for the future, presumably by removing that element of it which represented the cost of the asset.

It would not be right to deduct proceeds of sale when calculating item B in the formula.

Owners of the asset would have lost their credit for depreciated replacement value and would have received the proceeds of sale in the proportions currently prevailing. But they should not also have to suffer a deduction of those proceeds of sale from their shares in the value of the remaining assets.

It was held that item B in the formula for calculating depreciated replacement value should be subject to a deduction for grant received in the period in question.

It followed that, on the next occasion the calculation was made, item A would also be a net figure.

The appeal was dismissed.

LORD JUSTICE Scott dissenting said that taken overall the provisions in the construction agreement regarding receipts did not support the proposition that grant should be allocated in receipt proportions.

The legislative system did not contemplate the benefit of grant being passed on to subsequent purchasers of the asset.

Since the contractual provisions did not provide an express answer to the issue, a contractual intention that grants should be allocated in contribution proportions should be imputed to the parties.

His Lordship would have allowed the appeal on both questions.

THE PRESIDENT agreed with Lord Justice Staughton.

For the appellants: Sam Stamler QC and Steven Gee (Herbert Smith)
For BP: Anthony Grabiner QC and Laurence Rabinowitz (Gary Hodgson)
For Total: Michael Burton QC and Julia Dias (Denton Hall Burgin & Warrens)
For Amerada: Marion Simmons (Rowe & Maw)

PEOPLE

Rank fills a gap

The death of Sir Patrick Meaney earlier this month ended one of the best-known partnerships at the top of British business. Hence Rank Organisation is not going to be hurried into finding a long-term replacement for Sir Patrick, who had been chairman since 1983.

Rank announced yesterday that Sir Leslie Fletcher, who has been a non-executive director since 1984, has been appointed chairman. However, since Rank's non-executive directors normally retire on reaching the age of 70, and Sir Leslie is less than three months away from his 70th birthday, the assumption is that he will only be doing the job temporarily.

Sir Leslie, a chartered accountant who went into merchant banking with Helbert Wagg & Co, is a well known industrialist. He was chairman of Glynwed International between 1971 and 1986, and is currently chairman of Westland and deputy chairman of RMC Group.

Rank's chief executive Michael Gifford, who along with Sir Patrick, is credited with revitalising a group which had lost its way in the early 1980's, dismissed suggestions yesterday that he might accept the chairmanship. He said that it was not appropriate to combine the jobs of chairman and chief executive and he thought it was very difficult to bring in a new chief executive if the chairman had been doing the job before. Gifford said that Sir Leslie had "been around and done it all".

■ **Roger Little**, md of Waterford Wedgwood Australia, is appointed group sales director and joins the board of WATERFORD WEDGWOOD UK; he succeeds **Hugh Gledhill** who has retired.

■ **David Lovett**, president of Blue Circle America Inc, is appointed a director of BLUE CIRCLE INDUSTRIES.

■ **Tony Stanworth**, personnel director of Superdrug, has been appointed personnel director of B&Q. **Joan Howard**, formerly personnel controller at Woolworths, takes his place on the Superdrug board.

■ **John Roussel**, formerly an independent consultant who was at one time md Europe of Wardair, has been appointed head of sales and marketing of LAUDA AIR.

■ **Michael Harvey** has been appointed head of WIMPEY Environmental's minerals consultancy services. He has worked for the NCB, ECC Ball Clays and most recently with ECC International where he was responsible for mining and waste disposal activities in Brazil, Spain and France.

■ **Claude Brice**, previously head of exploration and production for North and South America, has been appointed md of TOTAL OIL MARINE.

■ **Hugh West**, chief executive of Peterborough Development Agency, has been made md of HERTFORDSHIRE DEVELOPMENT ORGANISATION.

■ **Chris Swarbrick** has been appointed md of MASSEY FERGUSON FINANCE France; his position as UK director – sales north and east is taken by Stewart Pirnie.

■ **Michael Carroll**, formerly md of Glaxochem, becomes group operations director of SCOTIA PHARMACEUTICALS.

■ **Mike Stacey**, divisional md of MEGGITT's aerospace division, moves onto the main board.

■ **Stephen Jones** has been appointed a director of WAVERLEY CAMERON.

■ **Tony Pickford**, formerly merchandise director of Macarthy Retail, has been appointed marketing and merchandise director of POUNDSTRETCHER, an operating subsidiary of Brown & Jackson. Pat Lofthouse, formerly with Hull Health Authority, joins as human resources director, and Steve Rossi, who has been working with the company as a part-time consultant, joins as development director.

■ **Peter Rusby**, finance director of STIRLING's Bentwood subsidiary, has been appointed group finance director.

■ **Brian Kent**, who has combined the role of chairman and chief executive of Staveley Industries for the past four years, has appointed Roy Hitchens from BOC to take over as chief executive from October.

Kent, who says he was never totally happy combining the two roles, will be 61 years old in September, and intends to remain full-time for just another twelve months, and thereafter function as a non-executive chairman.

Currently managing director of the UK gases division of BOC, Hitchens, 51, has also been involved for 13 years in BOC's international health care division. Kent says that the "mental map" Hitchens has formed - which also includes experience in process and mechanical services contracting at Matthew Hall and process engineering at GEC - prepares him well for Staveley's three lines of business: minerals, measurement, and mechanical and electrical services.

While Staveley reported its first fall (by 13 per cent) in pre-tax profits for nine years during the financial year ending March 31 1992, Kent says the balance sheet is very strong, giving Hitchens six months to get to know the business before deciding on what Staveley's next strategic move is to be.

■ More fresh blood at British Rail. Just a day after announcing that former Rank Xerox (UK) man Iain Livingston is to head its total quality management programme, BR has hired another outsider, Gerald O'Keane, to take charge of the £1.5bn annual spend on equipment, materials and services.

O'Keane, 43, is currently manager of marketing logistics for GE (US) Medical Systems in Paris. He takes over as BR's director of procurement and materials management at a key moment: two weeks ago the corporation announced tough new rules for its 27,000 suppliers, requiring them to achieve specific standards of safety, quality and reliability.

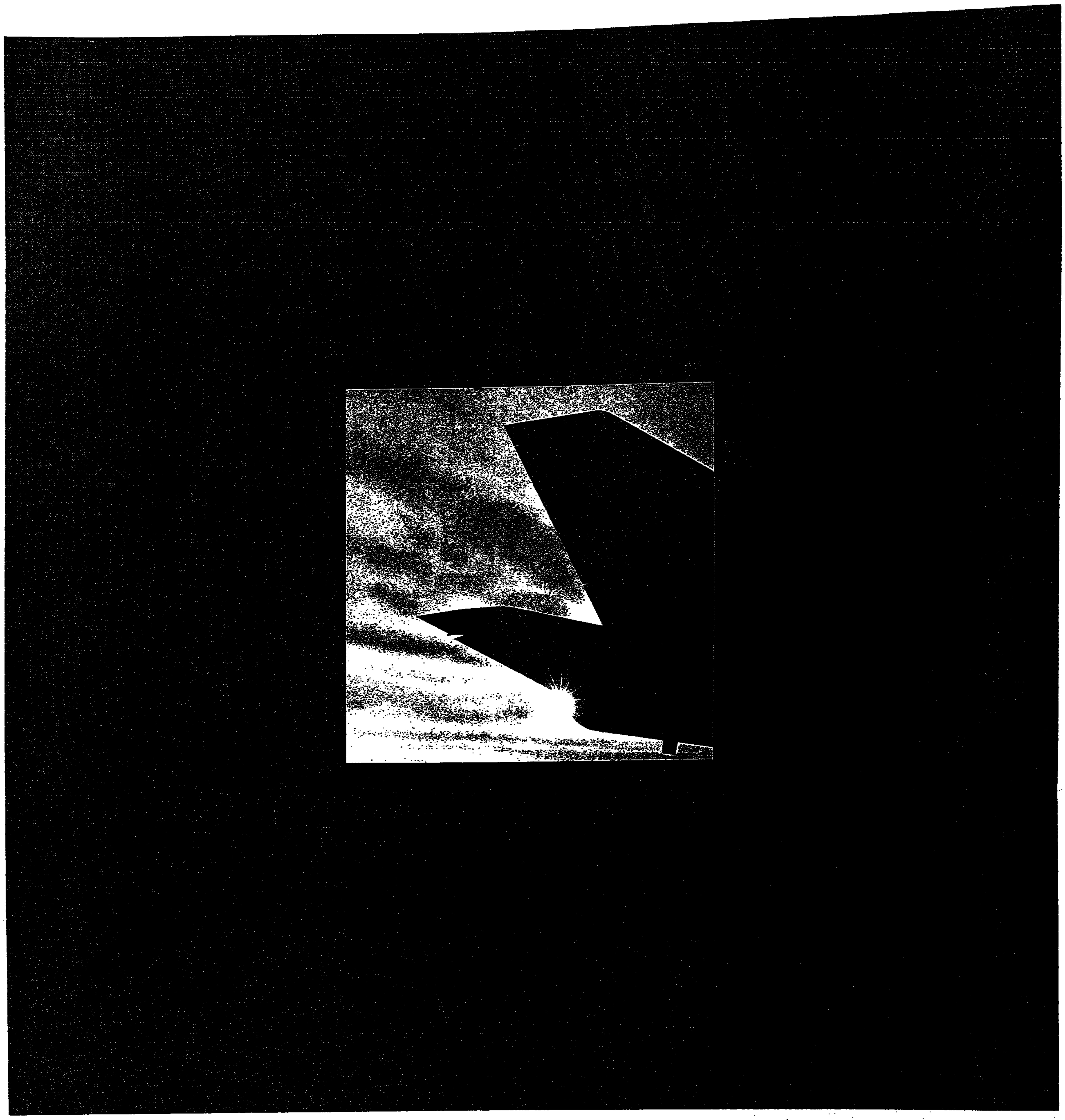
Swiss first to Black Bob

Rudi Mueller, UBS executive vice president Europe and chairman and chief executive of UBS Phillips & Drew, has wasted no time in hiring the services of outgoing British Steel chairman Sir Robert Scholey who retired after yesterday's agm - at the age of 70 after 47 years in the industry.

Sir Robert's appointment as a group adviser comes from UBS Phillips & Drew in London but he will also be working with the parent bank, Union Bank of Switzerland in Zurich. He joins Sir George Blunden, former deputy governor of the Bank of England, who is also an adviser.

"The attraction for us is in his contacts across Continental Europe - in industry, government and the European Commission" says Mueller, suggesting that his role in "one of the most sensitive industries in the world" has given him a particularly unusual accumulation of experience.

Meanwhile Mueller dismisses any suggestion that the arrival of "Black Bob" - notorious for his tough rationalisations, notably this year the closure of the Ravenscraig steel plant - might unsettle UBS staff. "I do the Black Bob duty here" says the UBS P & D boss.



ARTS

Cinema/Nigel Andrews

Begorrah, 'tis Hollywood himself

FAR AND AWAY
Ron Howard

NIGHT ON EARTH
Jim Jarmusch

THE THIEF OF BAGDAD

THE HISTORY of the wheel has been recapitulated in the history of the reel. If trains and cars first assaulted the distances between towns and nations, the movie projector has obliterated them. Two films this week, Ron Howard's *Far And Away* and Jim Jarmusch's *Night On Earth*, skim their plots or characters around the globe as if the friction of reality had never existed.

In most other respects the two films are perfect opposites. One stars Tom Cruise, was shot in 65-millimetre – the first film to use the process since *Ryan's Daughter* – and is an ocean-crossing epic about human love and self-betterment. The other, a set of five low-budget stories about cab drivers, is a comedy of stasis masquerading as a comedy of movement.

In *Far And Away* Tom Cruise and Nicole Kidman leave the old country to find a home in the new. In Ireland the land is green, the sea sparkles and the smoke curls from the cottages, indicating that the feudal English have been torching the villages again. We are in a troubled Western Ireland, circa 1890.

In America, once past that gateway to Irish-American freedom called Boston, the West beckons. Here men are men, women are women and horses are Formula One racing cars with tails. These hurtle their riders to glory in the climactic, eye-boggling Oklahoma land race. By the close of this film – two hours of romance, fisticuffs, music, spectacle and bullhorning Celtic charm – we feel we have been to Fantasyland and back via *Cimarron*, *The Streetfighter* and *The Quiet Man*.

And, come to that, via P.G. Wodehouse. I kept being reminded of that author's Irish comedy double-act called Pat and Mike. This duo, you recall, only ever had one routine. Pat (or Mike) tells Mike (or Pat) about a ballet in which the dancers rush in and out from stages left and right. Then after a lot of music hall cross-talk Pat (or Mike) finally explains "Faith and begob, 'tis a Rushin' Ballet."

That is *Far And Away* in a nutcracker. Characters rush in and out from screen left or right, the soundtrack surges with full-orchestra music, and hanging over all like a *deus praesens* is the "Faith and begob" school of Irish locution. This is represented by Cyril Cusack and assorted worthies sporting cloth caps, potato-dust faces and singsong accents.

The opening half hour, it must be admitted, has a winning dottiness. Tom Cruise's father, mortally injured by his landlord's hitmen, bequeaths his bully-boy courage to young Tom – "You're an especially odd boy," the old man keens – and soon Tom is proving both his oddity and his pluck. He invades the mansion of the wicked landlord (Robert Prosky), gets shot, gets nursed, gets up, gets knocked down again, and then receives a ladder-and-window visit in his bedroom from the daughter of the house, Nicole Kidman (alias Mrs Cruise). "I'm running away because I'm modern," explains the Australian actress in an Irish accent.

Enough said. Our couple soon take ship to Boston where they masquerade as fine lady and servant: at least until Cruise earns a penny as a prizefighter while Kidman becomes estranged, rueing her fall from social grace. By the time they reach the Oklahoma land race, they have both been up and down and round and round: two socio-economic yo-yos suffering from existential dizziness.

A strange madness overtakes the cinema, we have noticed, whenever there are two "9"s in the year. Everything suddenly goes all epochal. Remember *Gone With The Wind* (1939)? *Easy Rider* (1969)? Now we face a whole decade of this stuff. *Far And Away* was conceived and directed by Ron Howard of *Cocoon*, *Willow* and *Parenthood*. He wanted to tell his own ancestors' story but has succeeded instead in making a historical soap opera which suffers from elephantiasis.

Every emotion is blown large and primal to fit the wide screen: from the early rage of our peasant hero to the final earth-kneeling clinch on Western soil. In between we have the nose-crunching boxing scenes, the sentimental Christmas idyll out of *Meet Me In St Louis*, the spectacular land race and the quick-witted bickering of the hero and heroine, which is either Beatrice and Benedick or Rhett and Scarlett, according to your taste in cultural invocations.

Global expansiveness apart, the only characteristic *Far And Away* shares with *Night On Earth* is a tendency to prove that the more geographical space a film covers the less it moves dramatically or psychologically. Howard's film demonstrates this unwittingly: in the un-transplantability of Tom Cruise. Is he of Ireland? Boston? Oklahoma? No, he is of Hollywood, where that toothpaste commercial grin, cartoon-handsome face and acting-class earnestness radiate American Boyishness. If you like your history re-processed in Wishfulfilmentscope – and many do – *Far And Away* is for you.

Low-budget independent cinema has its own version of running on the spot. Cover the globe for you, guv'nor? Certainly. Step in: "in" being the taxi in Jim Jarmusch's five-story feature, brought to you by the mournful movie wag who made *Stranger Than Paradise*, *Down By Law* and *Mystery Train*. You will experience night rides through L.A., New York, Paris, Rome and Helsinki without feeling that you have changed locales at all.

But this is artful immobility. Taxis, as we know, are the same internationally: zones of terror where we part with large sums of money for the privilege of sitting in a traffic jam hearing a man's life story. The taxis do move in *Night On Earth*; but they do not get anywhere. The sky outside is as dark as a parrot's shawl while the changing duos inside fail to resolve their encounters.

Casting agent Gena Rowlands sees star quality, but fails to sign it, in foulmouthed cabbie Winona Ryder; Giancarlo Esposito wrests the taxi's wheel from East German ex-clown Armin Mueller-Stahl who, despite a cab licence, cannot drive; Roberto Benigni inflicts unwanted sexual confessions on a dicky-hearted priest; and only in France and Finland do a blind girl (Beatrice Dalle) and a bereaved father (Matti Pelonpaa) offhandedly suggest that enlightenment can come forth from darkness.

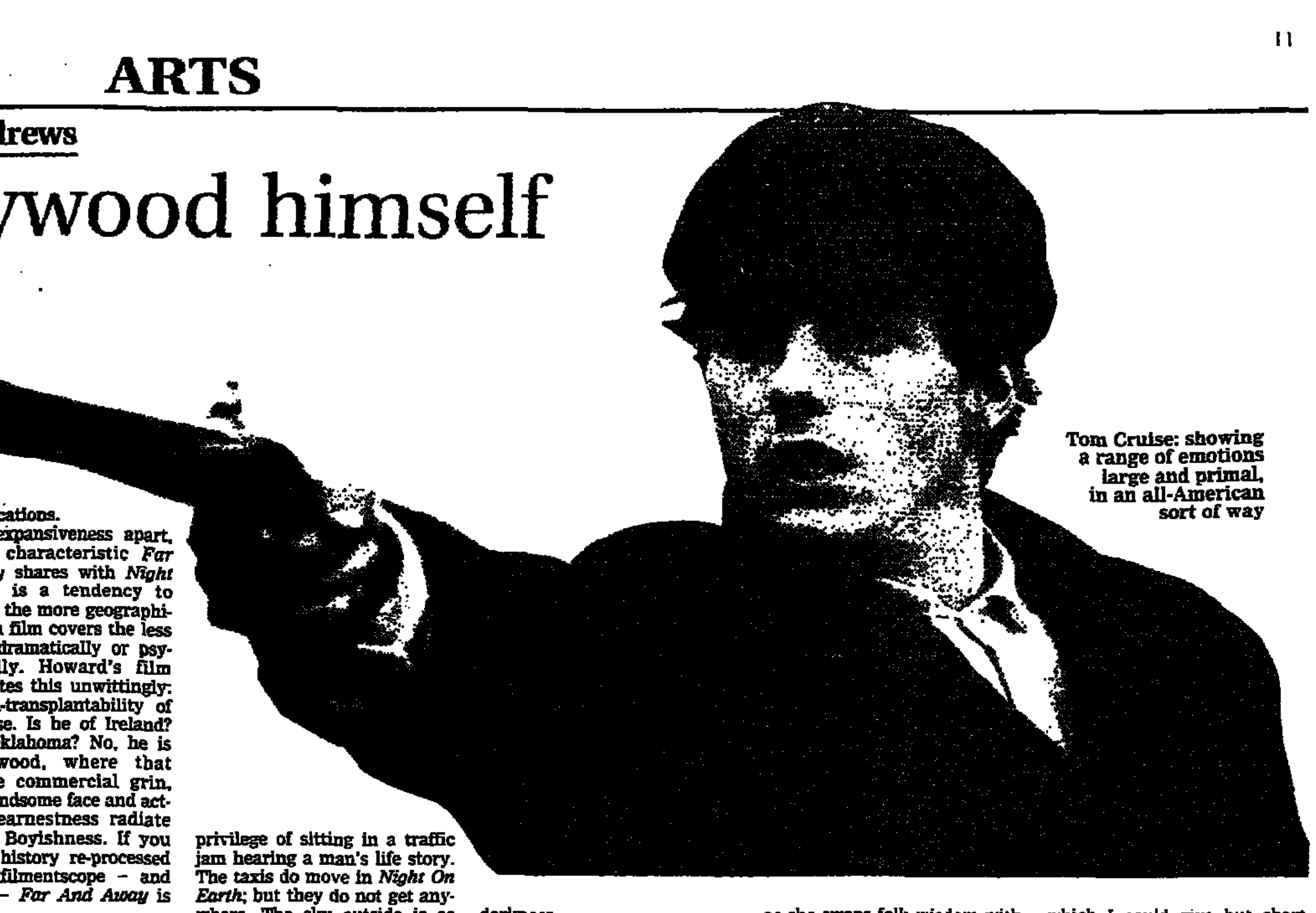
Two hours of heads bobbing in leatherette-clad capsules and you may feel like hailing the nearest bus. At moments of maximum claustrophobia, our imaginations flash out yearningly to the Oklahoma land race. But cinema is oddly suited to these exercises in oubliette entrapment. Not only is being in a taxi much like being in a movie theatre – the darkness, the rectangular slices of passing scenery, the non-stop soundtrack – but Jarmusch's comic miniaturism is enhanced by being writ large on a cinema screen.

Look at Gena Rowlands's genteel twitches of incredulity as she swaps folk wisdom with the chain-smoking, chain-swearing Winona Ryder. Or at Armin Mueller-Stahl's bemused, I'm-a-stranger-here curiosity as his black American passenger explodes at his (the passenger's) raggedy-mannered, out-all-night sister, whom they have picked up en route to Brooklyn.

The reaction shot is king, even when in the Helsinki story the dim Northern light barely leaks through to the glum moustachioed visages. At two hours *Night On Earth* may be too much of a good thing, but a good thing it undoubtedly is.

So is *The Thief Of Bagdad*, to which I could give but short shrift last week. The glorious 1940 Alexander Korda epic, made by a bevy of directors including Britain's Michael Powell, has been reissued in a brand new print. Thrill to the giant spider's web climbed by Sabu. Tremble at the mighty genie whooshing from the bottle. Gasp at the flying white horse which hoofs it aerially over the multi-coloured onion domes.

I am beginning to sound like a movie poster. But that is how all critics sound when their defences are down and they are praising a film they fell in love with long before they were critics.



Tom Cruise: showing a range of emotions large and primal, in an all-American sort of way

Alastair Muir

Brian Friel's *Philadelphia Here I Come!* has arrived at Wyndham's Theatre in the West End after its widely acclaimed performances at the King's Head in Islington, writes Malcolm Rutherford. First produced in 1964, it seems to me an even better play than Friel's later *Dancing at Lughnasa*, which is still playing at the Garrick. Superb performances by (among others) Pauline Delany as Madge and Jonathan Arun as one of the two parts of Gareth, the young Irishman about to leave for America. Direction is by Dan Crawford.

Pictured left are, from left, Eamon Kelly, Jonathan Arun and Pauline Delaney.

Proms/Max Loppert

Bluebeard's Castle

THE THIRD successive concert performance of an opera at the Albert Hall was given by the Budapest Festival Orchestra (making its Proms debut) under Iván Fischer, the orchestra's co-founder, and with two internationally eminent Hungarian opera singers in the roles of Bluebeard and Judith.

This should have guaranteed a degree of idiomatic rightness generally deemed unavailable to non-native Bartók interpreters. Strangely, Tuesday's *Bluebeard's Castle* did not work out that way. The players had already, earlier in the evening, made us familiar with their corporate characteristics of well-drilled ensemble and forceful attack in their Berlioz *Benvenuto Cellini* Overture and the Liszt E flat Piano Concerto (with Zoltán Kocsis, the other orchestra co-founder, a percussive-toned and intermittently rather mannered soloist). It was in Bartók that their limitations were most fully demonstrated: in simple terms, and in spite of the natural advantages of spacious resonance offered by the acoustics, the sound qualities of the playing seemed to lack depth, beauty, poetry, pathos.

Bartók rigorously ordered the internal relationships of component parts and tempo choices, of each episode relative to the next; Fischer, though an alert, urgent organiser of individual sections, never gave the impression of fully perceiving the crucial importance of those relationships, with the result that the opera's cumulative intensity failed to build up. The bass, Laszlo Polgar, was grave, dignified, eloquent, but not sufficiently grand or free at the top in the perorations of the Fifth Door; the mezzo, Ildikó Komlóssi, regularly spoiled the glamorous richness of her timbre with a heavy beat.

The performance was by no means a disgrace or a waste of time – how could it be? – but at the end of it I could not conceal a feeling of considerable disappointment.

Proms appearance of the Budapest orchestra sponsored by Associated Newspapers.

Midsummer dance in Italy

Freda Pitt reviews a mixed season of successes and failures

THE ITALIAN summer dance invasion this year has, as ever, been numerous in companies and varied in offerings. There have been celebrations of obvious anniversaries: Rossini was given a charming birthday tribute at the Ravenna Festival in Mischa van Hoecke's *Adieu à l'Italie*; Christopher Columbus became the subject of an extravaganza involving the entire ballet troupe of La Scala, Milan, with Carla Fracci as Queen Isabella, and Columbus himself taking rather a back seat. Alberto Mendez' choreography was at its best in scenes showing American Indians, but the accompaniment of Donizetti scores proved unexpectedly dull.

The season proper began auspiciously with the arrival of Pina Bausch's production of Gluck's *Iphigenie auf Tauris*, which was shown first in Turin, and then in the Teatro dell' Opera, Rome. This staging dates from 1974, when Bausch had just joined the Wuppertal Opera – whose company made the journey to Italy – and it made quite a change to hear an orchestra tuning up before a Bausch performance. The singers were tucked out of the way in the theatre boxes so that the dancers had the stage to themselves, and the score was well presented by the Wuppertal forces under Peter Gulke. Albeit this is an early production, Bausch has not sought to modify it, and she called upon three veterans of her company for the central roles: Malou Airoudou as Iphigenia; Dominique Mercy as Orestes, and Lutz Förster as a terrifying King of the Scythians.

Turin's Dance Festival, which also presented John Neumeier's Hamburg Ballet, the Prague National Ballet and London Contemporary Dance Theatre, chose to open in early June, a somewhat rash decision in view of our capricious weather. Within 30 minutes of the Hamburg Ballet's beginning *Mozart Requiem* the heavens opened, and umbrellas offered little protection from the downpour in the Parco Rignon, though the performers were under cover. We could admire the standard of the dancing in a work which intersperses Mozart's score with Gregorian chant (not without taste), and offers a decent view of Neumeier's slightly distorted classic manner.

Music for the Turin performances is almost invariably recorded and this sad fact now obtains at the Spoleto Festival, where few successes were notched up this year and a decline in the dance content was discomfitingly evident. Little on view belonged without argument in the dance category, and Maguy Marin's *Cortex* – her first piece for her group after a two-year silence – contained much more talk than movement and was not noticeably original, save in its preponderance of speech. Her target, yet again, was the bourgeoisie, and more specifically bank clerks, who seem to be her *bête noire*. The need to translate the spoken text into Italian slowed the action even further, since not all the performers could speak fluently in a foreign language.

At Spoleto's Roman Theatre the Bolshoy Theatre Grigorovich Ballet appeared with recorded accompaniment and no scenery. This is not the main Bolshoy troupe; but an off-shoot created two years ago, made up of some 50 very young dancers selected by Yury Grigorovich from various schools. The repertory originally comprised familiar Grigorovich choreography, but now (with the assistance of two of the dancers, Sergey Bobrov and Andrey Melanin) Grigorovich has produced a new work especially for the ensemble.

This *Elektra* is set to excerpts from Richard Strauss's opera, with additional music from his *Legend of Joseph*. Grigorovich has, alas, asked more of his immature artists than they can yet give in terms of expressiveness. Technically they are carefully chosen, but interpretations were bland. Maria Mosina offered only a brave try as Elektra – her final dance of madness and death, veiled in black, could prove telling if given to a more assured ballerina.

During a press conference, Grigorovich stated that he would certainly not invite Pina Bausch to Moscow, as he found no interest in her work. But her stark, barefoot treatment of the House of Atreus – in her Gluck staging – made a much stronger impression than Grigorovich's balletic version, with its style familiar from his *Spartacus* – especially in the male groupings. The lack of experience among the young Moscow dancers also affected their presentation of *Raymonda's* second act: good, clean technique was on display, but it was uncomfortably like an end-of-school performance.

In Rome, the most extensive festival – Roma-Europa – included music, film, literature, as well as dance, from ten European countries. Its most talked-about dance event was a brief series of appearances by Sylvie Guillem and Laurent Hilaire. Their programme comprised a first part made up of works by Balanchine and Robbins, and a new 45-minute piece by Maurice Béjart, who tackled an impossible and self-imposed task of reconciling a taped text by Pier Paolo Pasolini with totally unconnected dance scenes of a couple's somewhat stormy relationship. The evening proved one of the season's successes.

INTERNATIONAL ARTS GUIDE

BERLIN

Peter Zadek's production of The Blue Angel can be seen daily except Mon at the Theater des Westens, with Ute Lemper and Eva Mattes alternating as Lola, the night club singer who captivates Professor Raat (West Berlin 3190 3193). The Hebbel Theater has a final performance tonight of Die Zauberflöte (West Berlin 251 0144). The Freilichtbühne an der Zitadelle has an open-air production of Shakespeare's A Midsummer Night's Dream on most nights of the week at 20.00 (West Berlin 331 6920). A guest production of the musical 42nd Street is showing daily except Mon at Metropol-Theater (East Berlin 208 2715). Opera performances in Berlin's main theatres begin the new season in the final week of August. The Theaterkasse im Europa-Center has an information and ticket service (*Tauentzienstrasse 9, tel 261 7051*).

BERLIN FESTIVAL

This year's festival (September 2-29) focuses on Prague and its links with Berlin. The Deutsche Oper will give the world premiere of Aribert Reimann's new opera Das Schloss, based on Max Brod's dramatisation of Kafka's text. Marek Kopelent and Jan Klusak are among the Czech composers from whom orchestral works have been specially commissioned. The music of Martinu and Dvořák features strongly in concerts conducted by Marek Janowski, Bernard Haitink, Claudio Abbado and Riccardo Muti. Other musicians at the festival include Murray Perahia, Simon Rattle, Frank Zappa and Carlo Maria Giulini. There is also a strong Czech element in the chamber music programme. There will be exhibitions devoted to photography in Prague in the first 25 years of this century and the Prague Jugendstil. An exhibition devoted to Schoenberg's paintings and drawings is on show at the Akademie der Künste, Hanseatenweg 10 (254 89250).

FRANKFURT

JAZZ IM PALMENGARTEN

Open-air jazz concerts are given every second Thursday throughout the summer in the Palmengarten. Tonight at 19.30: Joachim Kuhn, Daniel Humair and J F Jenny-Clark trio. Next concert: Aug 13.

LONDON

THEATRE

● Absent Friends: Alan Ayckbourn's bittersweet comedy of relationships and marriage, in a production which has just moved to London from Leeds. Starring Susie Blake and Gary Bond. Runs till Aug 29 (Lyric Hammersmith 081-741 2311).

● The Mother Tongue: Alan Franks' comedy takes a devastating look at parents, children and good old-fashioned class barriers in 1990s London. Starring Prunella Scales (Greenwich Theatre 071-858 7755).

● The Master and Margarita: Four Corners Theatre Company's adaptation of Bulgakov's satiric novel. Runs till Aug 15 (Almeida 071-359 4404).

● Philadelphia, Here I Come: Brian Friel's poignant, autobiographical 1964 play in an excellent production directed by Dan Crawford (Wyndham's 071-867 1116).

● Lady Be Good: the classic Gershwin musical starring Bernard Cribbins (Open Air Regent's Park (071-486 1933).

● Six Degrees of Separation: Stockard Channing recreates her role as the rich New Yorker transfigured by a black con artist in John Guare's play (Royal Court 071-730 1745).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

DANCE

Covent Garden 19.30 Royal Ballet in Natalia Makarova's production of La Bayadère, also Sat and four further performances next week. Tomorrow: Kenneth MacMillan's production of Romeo and Juliet (071-240 1066)

Royal Festival Hall 19.30 Ben Stevenson's English National Ballet production of Cinderella, also tomorrow and Sat. Next week: Coppélia (071-928 8800)

MUSIC

Royal Albert Hall 19.30 Paul McCreesh conducts the Gabrieli Consort, Choir and Players in music by Schütz and the Gabrieli family. Tomorrow: Matthias Bamert conducts the world premiere of John Casken's new song cycle, with baritone soloist Thomas Allen. Sat: two new works by Richard Rodney Bennett. Sun: John Eliot Gardiner conducts first part of Handel's Israel in Egypt, plus Alexander Goehr's The Death of Moses. Mon: Royal Goodman and the Hanover Band. Tues: Andrew Davis conducts world premiere of Elena Firsova's new work (071-823 9998)

Barbican 19.30 Victor Borge in concert, also tomorrow. Sat: The Chieftains. Sun: En Shao conducts the LSO. Next Thurs: Stéphane Grappelli (071-638 8891)

NEW YORK

● Classical Jazz: Wynton Marsalis and friends tomorrow kick off a week of concerts in Alice Tully Hall, beginning with the music of Thelonious Monk. Sat: Giants of Detroit Piano. Next Wed: New Orleans Jazz. Next Thurs: Duke Ellington and the Ladies (875 5050)

● Mostly Mozart: the festival runs daily except Sun till Aug 22 in Avery Fisher Hall. Tonight's programme is a brass spectacular, with Canadian Brass and the New York Brass. Neeme Järvi conducts the festival orchestra tomorrow, Sat, Tues and Wed, with soloists including Barry Douglas, Maria Joao Pires and Augustin Dumay. Mon: Richard Stoltzman plays Mozart's Clarinet Quintet with the American String Quartet (875 5030)

● Philharmonic in the Parks: the New York Philharmonic Orchestra's season of free summer parks concerts begins on Mon on the Great Lawn of Central Park with a programme conducted by Kurt Masur. The series continues with free outdoor concerts in all five boroughs of New York (Philharmonic Parks Hotline 875 5709)

● City Opera: Guido Ajmone-Marsan conducts tonight's performance of La traviata at New York State Theater, also Sun. Tomorrow: Nash, Schmidt and Jones' musical 110 in the Shade. Sat and Tues: Carmen (870 5570)

PARIS

Concerts of French baroque music are being given on Saturdays at the Centre de Musique Baroque in Versailles. This weekend, the Chapelle Royale plays a programme entitled Le Cabinet de Musique de Sebastien de Brossard. Aug 8: William Christie directs a programme of sacred music by Marc Antoine Charpentier (3949 4824)

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

SIENA

The Incontri in Terra di Siena are an annual series of chamber music concerts in the Tuscan countryside south of Siena. Tonight's programme at Castelluccio di Pienza, La Foce, features music by Hindemith, Schubert and George Crumb. Sunday's concert at the Palazzo Piccolomini, Pienza, is an all-Schubert programme. The final concerts take place in La Foce on Aug 5, 6 and 9. (Booking for concerts and dinner can be made on 578-64050)

ZURICH

KYBURGIADE

A long weekend of open-air chamber music concerts has been arranged at Schloss Kyburg near Winterthur, focusing on the music of Beethoven, Schubert and Mendelssohn. The opening concert next Thursday (Aug 6) will be given by the Hagen Quartet with cellist Heinrich Schiff. The following day, violist Wendy Champney joins the Vogler Quartet. Saturday's concert (Aug 10) features the baritone Wolfgang Holzmair with pianist Ulrich Koella and the Carmina Quartet. There will be morning and evening recitals on the Sunday (Booking through Musikhaus Jecklin tel 261 7733)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0630-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0200-0230 World Business This Week - a joint FT/CNN production 1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1300-1330 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Thursday July 30 1992

Lessons of the debt crisis

ALMOST 10 years ago Mexico declared a moratorium on debt service, whereupon the contagion spread. It was a time of panic, an occasion for improvisation. Ten years later, with private capital flowing into Latin America, commercial banks reeling from losses closer to home, and industrial countries mired in recession once more, the "debt crisis" seems history. But it has left much behind: problems still unsolved, lessons learned, and lessons unlearned.

Improvisation worked. The collapse of the financial system that threatened did not occur. Notwithstanding the endeavours of the commercial banks, it has still not occurred. The case-by-case approach to the problems of indebted countries has also succeeded. Those who have made serious efforts to adjust, like Mexico, thrive; those that have not, like Brazil, wallow in failure. Yet everything was not done well. It took too long to recognise the nature of the problem and still longer to move from palliatives to remedies. For this – indeed, for most of the serious errors – blame falls heavily on the industrial countries.

It is the developing countries that have had the hardest lesson: in the "lost decade", per capita income in Latin America fell by close to a fifth. But the lesson has, for the most part, been learned. "Good policy" – non-inflationary budget finance, positive real interest rates and openness to trade and foreign direct investment – matters. It was possible to get away with less than this in an environment of low real interest rates. In a more unfavourable environment, it was not. Only countries as efficient as South Korea survived high levels of external indebtedness unscathed.

The lesson to be learned about commercial banks is, it appears, that they never learn their lesson. Each time commercial banks have been offered the chance to trade their way out of past losses, they embrace new ones. The threat of third world debt has receded. New threats have taken its place.

The immediate response of the industrial countries to the crisis was successful. But they bear much responsibility for its creation and for the inordinately long time it took to resolve.

The inflationary policies of industrial countries generated the negative real interest rates of the 1970s that made borrowing so attractive. The sudden volte face in US monetary policy under Paul Volcker then triggered the debt crisis. It was industrial country fiscal deficits which kept real interest rates painfully high, their refusal to recognise that illiquidity cannot be distinguished from insolvency which meant that organised debt reduction came only seven years later, and their protectionism that militates against the unilateral moves towards economic liberalism of many developing countries.

It is now well known that countries politically incapable of meeting their liabilities need some sort of bankruptcy procedure that ensures all creditors share the losses. Will that lesson be applied soon enough to the problems of the former Soviet Union? It is evident that the poorest countries must rely largely on concessional official assistance. Will this lesson be applied to Africa on a large enough scale?

It is clear too that the market must be allowed to work. Will it be allowed to, however, not merely by the poor, but even when it causes political pain – as over the question of farm trade reform, now the chief obstacle to global trade liberalisation – by the rich?

Nuclear fall-out

BRITAIN's large electricity users have reason to feel aggrieved. Industrial profits are depressed and companies are trying to cut costs. Yet Nuclear Electric, the state-owned generating company that electricity consumers are required to subsidise to the tune of £1.2bn a year, has turned in profits up 48 per cent on those of last year.

The nuclear levy, designed to compensate for the higher cost of generating power from non-fossil fuels, is scheduled to remain until 1998. But these profits, the users' lobby argues, demonstrate that the levy should be abolished.

Yet a subsidy of this magnitude is essential if Nuclear Electric is to remain profitable in the short term. Abolishing the levy would have turned a profit of £482m into a loss of £783m.

Some form of subsidy will remain necessary at least until the government's planned review of the industry is completed in 1994. Government may then decide that the benefits of preserving a nuclear power industry, providing a relatively safe and clean power source while encouraging fuel diversity, justifies longer-term support.

Nuclear Electric has until 1994 to show either that it can operate without subsidy or to set out the price of longer-term support. The case for Nuclear Electric will be far stronger if it can credibly demonstrate before then that it can produce electricity efficiently, as well as safely. Recent indications from the electricity regulator, Offer, that it is to examine the nuclear levy are welcome, if only for the contribution it will make to a clearer understanding of the industry's finances in the run-up to the nuclear review.

When it conducts that review, the government should also consider whether it would be fairer to meet any subsidy from general taxation rather than from a levy, which has the undesirable side-effect of impairing the competitiveness of many British companies.

A vacuum in Asia

IT IS NOT only in Europe that the end of the cold war has allowed simmering disputes to re-emerge. China's reassertion of its claim to the Spratly Islands, a group of remote atolls and rocks surrounded by a seabed that might yield oil, is a reminder of the fragile security balance in the world's fastest-growing region. Asia's patchwork of bilateral relationships may no longer be adequate to handle the potential confrontations.

Acceptance of China's claim to the Spratlys would effectively concede to it control of the entire South China Sea, deeply alarming for Vietnam and the neighbouring south-east Asian nations, most of which claim all or part of the Spratlys for themselves. What the latest row exposes is the deep suspicion between Asian countries and their perception of a power vacuum following the closure of US bases in the Philippines. Asia lacks a forum in which positions can be sounded out, disputes aired and confidence built.

Asia's security framework remains as it developed during the cold war: a central relationship between the US and Japan, bilateral ties between the US and other countries, and a strong US naval presence. As well as countering Soviet influence, this network helped to keep the regional peace. However, the underlying rationale for it has disappeared. The regional aims of all five leading powers – the US, Russia, China, Japan and India – are now unclear. There are strong fears in Asia of a lessening US commitment because of domestic pressure for defence cuts. South-east Asian countries are responding by spending heavily on arms, and vying to host American forces.

Among potentially dangerous problems are the wobbly peace process in Cambodia and Korea. Washington has scaled down its military presence in South Korea, although it views the North's nuclear development as the region's most serious threat. The manner and timing of the unification of the two Koreas carries the potential for political uncertainty and economic instability. However, Seoul resists "two plus four" talks along German lines because the four would include Japan.

Mixed feelings about the role Japan should play are at the heart of uncertainty about regional security. As the pre-eminent economic power with large investments in other parts of Asia, it has a mutually dependent relationship with the rest of the region. It is also a substantial military power. However, the debate over its participation in peace-keeping forces revealed deep reservations in Japan and elsewhere.

The next US president will need to reiterate explicitly Washington's commitment to a strong role in preserving Asian security. Asian countries should meanwhile make greater efforts to discuss security problems among themselves. Meetings of the Association of South-east Asian Nations are being used on an ad hoc basis, but it is doubtful whether Asean has the substance or scope to be a proper security forum. There is a good case for an Asian security framework along the lines of the Conference on Security and Co-operation in Europe, with all the regional powers including Japan playing key roles. Precisely because Asian nations find it so hard to discuss their potential differences, they should make the attempt to do so.

Structural barriers facing foreign companies in the Japanese market are lifting, but slowly, writes **Stefan Wagstyl**

A fortress under siege

Every second Friday of the month, the top officials of the 29 biggest companies in the Mitsubishi industrial grouping drive in their limousines to a Mitsubishi-owned block in central Tokyo for a meeting of the Friday Club.

"It's a bit like a social club," says Mr Minoru Makihara, the president of Mitsubishi Corporation, one of Japan's biggest trading companies and one of the regular participants. "We talk about things in general or maybe listen to a guest speaker."

But for many American and European executives and trade officials, the Friday Club is more than a social gathering. It is a symbol of all they claim is unfair about Japanese business.

These critics say Japanese companies freely exploit open markets in the US and Europe, while hiding at home behind veils of restrictive practices. They contend collusive threads tie companies with bankers, customers, suppliers and the government, and these threads hamper foreign companies. The ties are particularly strong inside Mitsubishi and other keiretsu – the industrial groupings which account for about 20 per cent of Japan's output.

Japanese businessmen reply that competition and not collusion has made life tough for foreigners. They say that if Japanese business practices are different from those in the west, they are not necessarily unfair. It may mean they are superior.

The debate about Japan's economic structure is becoming more intense because of a huge rise in the country's trade surplus. After shrinking in the late 1980s, the surplus soared 50 per cent last year to $78bn and stands at a record $49bn in the first half this year.

The arguments concern far more than the nitty-gritty of trade disputes. Japan is the first non-western nation with which the US and Europe have had to share world economic leadership. While many commercial institutions have been borrowed from the west, the way they operate is often different. Above all, Japan has developed close co-operative relationships between government and business – without having stifled the forces of competition. The combination has served Japan well in its economic expansion, but has created an economy which is particularly difficult for newcomers, including foreigners, to enter.

Western trade officials concede Tokyo has done much to dismantle the formal protection with which it surrounded its industries in the early postwar years. With the exception of agriculture, few activities are now off-limits to foreigners. But foreign access to the Japanese economy is still hampered by the habits of mind, such as Japan-first attitudes, which grew up behind the barriers.

These persist even in government. Although Miti, the powerful ministry of trade and industry, has redirected its efforts from promoting exports to boosting imports, in other agencies there is still a bias in favour of domestic companies. It is particularly strong in high technology industries, where Japanese groups feel vulnerable to western rivals.

For example, the public procurement of computers has been used to support local manufacturers. According to industry data, foreign companies had a 41 per cent share of the computers sold to the Japanese private sector by mid-1991, but only 10 per cent of the sales to the public sector. During President George Bush's visit to Tokyo earlier this year, Japan promised the US it would revise procurement rules. But it can take years for such pledges to have an effect. The 1986 US-Japan Semiconductor Agreement set a target of 20 per cent for the foreign share of the Japanese microchip market. Six years on, the figure is still only about 15 per cent.

The protectionist past has also left a deep impression on private industry. From the early days of Japan's industrialisation in the 19th century, the government encouraged favoured corporations, giving them low-cost loans and other privileges. Smaller companies clustered around the giants. As Japan staggered through post-war reconstruction and the sweeping economic changes generated during the years of rapid growth, companies learnt the advantages of long-term relationships. The result is the close links which characterise Japanese commerce.

Foreign claims that keiretsu discriminate against foreigners are supported by a study by the Brookings Institute, a Washington think tank. Comparing keiretsu buying patterns with those of non-keiretsu Japanese companies, Mr Robert Lawrence, a leading US economist, found that keiretsu were less likely to buy foreign goods.

Similarly, the OECD has found Japanese companies are less willing than western groups to trade with foreign companies in the same industry. According to an OECD report on Japan, intra-industry trade accounts for just 33 per cent of Japanese foreign trade, compared with 60 per cent for the US.

The legacy of protectionism also colours consumers' attitudes. Although central Tokyo is increasingly cosmopolitan, in large areas of Japan there is a deep-rooted belief in the virtues of buying Japanese. In a survey last year, Jetro, the government's trade promotion agency, found one third of Japanese would buy Japanese-made goods in preference to imports.

Moreover, even if these prejudices and the other effects of past protectionism fade away, leading Japanese companies will still enjoy long-lasting advantages – for example, ownership of the best land and of distribution networks – acquired during the years of protection.

Newcomers cannot rely on the law to break anti-competitive arrangements, largely because Japan lacks a strong tradition of equality before the law. Disputes tend to be settled by negotiation, which favours the strong and well-connected party over the weak.

Nevertheless, in spite of the legacy of protectionism, competition flourishes in Japan. Japanese businessmen are right to assert their domestic markets are among the world's most competitive, particularly in industries in which Japan is strong – including motors, electronics, steel and machine tools.

The genius of the Japanese authorities has been to influence market forces without killing them. Few markets were ever completely closed to outsiders. Even 20 years ago newcomers could enter an important industry such as cars – as Chrysler Motor of the US did through investing in Mitsubishi Motors.

The result of competition is that today, while the US has only three indigenous car makers, Japan has nine. It also has 10 large electronics groups and no less than 115 companies producing machine tools.

Competition has made these industries formidable international competitors. Their biggest achievements came from inter-company rivalry. For example, the motor industry's low-cost manufacturing techniques – known as lean production – were pioneered in the 1950s by Toyota as a way of reducing costs to undercut competitors.

The challenge facing foreign companies is to find a way through the maze of collusion and competition. Those that do often find barriers which once blocked them now operate in their favour, repelling other newcomers. But many underestimate the time required. Mr William Best, managing director of the Tokyo office of AT Kearney, the US management consultancy, says: "There are only 20-25 western companies with sales of more than $1bn in Japan. They are mostly doing extremely well here. But many other companies are going nowhere."

There is no single route to success. Partnerships with Japanese groups have paid off for many companies – especially in industries with close links among Japanese companies. For example, while some US motor parts makers have publicly berated Japanese manufacturers for failing to buy their products, Robert Bosch, the German engineering company, has quietly developed links inside keiretsu groupings. It is a shareholder in Nippon Denso, a component maker and a Toyota affiliate, and in Japan Electronic Control Systems, a company tied to Nissan, and has a joint venture with Mitsubishi Electrical, a member of the Mitsubishi keiretsu.

Other companies, particularly in consumer markets, have tried partnerships with Japanese companies only to abandon them later in favour of independence. BMW, the German car maker, greatly increased sales after choosing this course and building its own sales network. But even BMW and other successful "independents" say it is essential to imitate the Japanese in establishing close long-term relationships with local suppliers and customers.

Foreign companies have sometimes called on their governments to demand market-opening measures. These efforts have secured the abolition of many formal trade barriers, ranging from bans on foreign investment in strategic industries to discriminatory duties on foreign alcohol. But attempts by foreign governments to ease informal restrictions have usually proved frustrating, as in the 1986 semiconductor agreement. Progress in increasing foreigners' market share has been so slow that the issue has once more developed into a trade dispute.

Structural change is glacial because there is little domestic pressure for greater economic openness. Japanese consumers, who might benefit from lower prices if more foreign companies were active in Japan, generally do not complain. For their part, Japanese companies are often loath to abandon long-term domestic links. A European machine tool maker says: "In the US you can get business by bidding 10 per cent less than a local supplier. In Japan, 20 per cent is sometimes not enough."

But this is not to say foreign companies' efforts are doomed. Japan's imports nearly doubled in 1986-91. Foreign businessmen in Tokyo believe they could double again over the next decade.

The Japanese government last month adopted a five-year economic plan which emphasises improving the consumers' lot – including giving them more choice by promoting imports.

Japanese politicians, too, are aware that export-led, import-blocking expansion is a thing of the past. As Mr Ichiro Ozawa, a senior member of the ruling Liberal Democratic Party, says: "In many ways we have enjoyed very good economic conditions in the past. But it is impossible to continue behaving in the same way in the future." However, he adds: "Japanese people have not really got out of their old ways of living and thinking. Change will require a great deal of effort."

BOOK REVIEW

Towering failures

BRICKS & MORTALS
The dream of the 80s and the nightmare of the 90s: the inside story of the property world
By Alastair Ross Goobey
Century Business, £25, 218 pages

The UK property market is still in the grip of the worst recession that most of its participants have seen. The half-empty, loss-making office blocks and shopping centres that litter the country are monuments to a startling reversal of fortune over the past five years.

The industry is paying a heavy price for the delusions of the second half of the 1980s. That was a time when finance was easy and cheap; rents appeared to have no upper limits, buildings changed hands every few months at increasingly inflated prices and developers ignored the scale of the property expansion, convinced of the superiority of their projects.

The perpetrators of this self-confidence trick were a motley crew. They ranged from the urbane, such as the old Harrovian Beckwith brothers to down-to-earth, self-made men, such as the Richardson twins, who became the standard bearers for the regeneration of the Black Country in the English Midlands.

Some were obsessed by deal-making: Tony Clegg of Mountleigh, who would conduct five meetings at once by portable phone over breakfast, sold most of his development projects before completion.

Some, such as Greycoat's Geoffrey Wilson, kept a resolutely low profile, in spite of creating some of the most notable buildings in London, such as Embankment place above Charing Cross station. Others, including the eccentric Godfrey Bradman of Rosehaugh hogged the headlines.

Such characters and the ups-and-downs of the property industry is a compelling story, which, surprisingly, has not been told properly since 1967 when Oliver Marriott wrote The Property Boom. This neglect prompted Alastair Ross Goobey, chief investment strategist of James Capel, to fill the gap.

Bricks and Mortals is a valuably detailed and accurate chronology with a good section on the changes in building design and architecture in the 1980s. But it is not as entertaining or as comprehensive as The Property Boom. It begins badly, with an overlong and sometimes clumsy account of the structure of the UK property industry such as. Later, it often degenerates into a catalogue of deals.

Nor does Bricks and Mortals fully live up to its subtitle: The dream of the '80s and the nightmare of the '90s ... While it covers the slow recovery of the industry in the 1970s and the heady 1980s in detail, it does not do justice to the drama of the present slump.

Overall, Ross Goobey adopts a relatively sanguine attitude to the state of the property market, believing that the decline in rents, one of the principal causes of the current slump, will reverse sooner than most commentators think.

At times, the book gives the impression that it has been overtaken by events. It skates over the desperate position of some of the companies it describes: the collapse of Olympia & York and Mountleigh command just a few paragraphs.

Ross Goobey's central thesis is that the newcomers of the 1980s made the same mistakes as those who fell in the 1970s crash. Those who survived the earlier crash, such as Lord Sterling of P&O and John Ritblat of British Land, avoided the same mistakes a second time around.

The author pins much of the blame for the current crash on the personalities involved. "It is not too extreme to count the story as a tragedy. Tragedy involves people perhaps with heroic visions but certainly with fatal failings," he says.

In some cases this approach succeeds. For example, he cites an over-ambitious nature as an important factor in Mr Godfrey Bradman's downfall. "You can lose as much on a small development if it goes wrong as on a major project, but the upside is not nearly as exciting." In other cases, however, Ross Goobey fails adequately to demonstrate the link between personality and business problems.

By casting developers as tragic heroes, he also underplays the contribution of the banks, advisers and government policy to the crash. For example, he skims over the effect of the relaxation of planning controls in fuelling the rapid increase in property developments. The enterprise zones, which delivered millions of square feet of unwanted office space, receive only a cursory discussion.

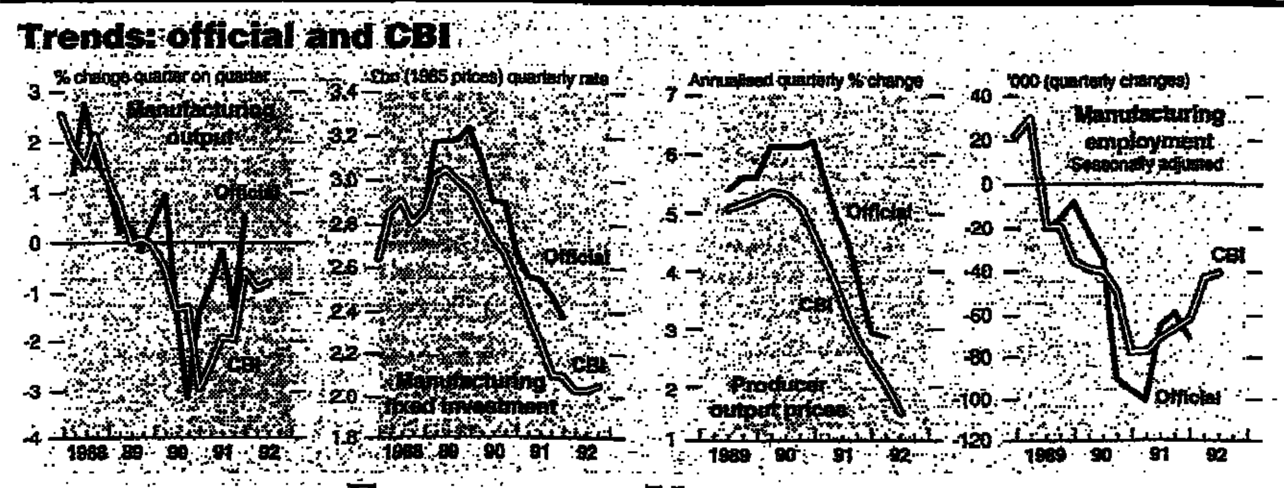
As a former adviser to Norman Lamont, the UK chancellor, it is perhaps unsurprising that Ross Goobey makes light work of the Treasury's forecasting and policy mistakes. But if the government's economic mismanagement had not been so pronounced, many of the developers he describes would have ridden through the downturn.

While Ross Goobey is right to focus on the poor judgment of the current crop of developers, he may place too much emphasis on the ability to learn from mistakes: plenty of the fallen heroes of the 1980s lived through the crash of the 1970s.

But he is doubtless correct when he says that similar errors will be made again. The shortcomings of policy makers, bankers and developers will probably see to that.

Vanessa Houlder

Trends: official and CBI



ECONOMIC VIEWPOINT

Recession, but not all doom and gloom

By Samuel Brittan

On present evidence, the third quarter of 1992 will be the ninth one of falling production since output reached its peak in the second quarter of 1990. This makes it the longest – but not so far the deepest – recession since the second world war.

There are no up-to-date estimates for the most comprehensive measure, GDP. In its absence there is more than one way of making the comparison with last time round. The simplest is to update the official index of manufacturing production by the survey-based CBI estimate. This suggests a drop of 10 per cent between the 1990 high point and the third quarter of 1992. For comparison it fell by 17½ per cent between the earlier 1979 peak and the 1981 low point.

Contrary to popular belief, construction output has not been more severely hit than last time. The difference is that, at the corresponding stage of the last recession, it was poised for recovery, while today it is bathed in gloom.

There is still no hard evidence that the recession has touched bottom – only that activity is weakening at a slower rate. The least bad indicator of final demand is probably retail sales, where volume in the second quarter was slightly up on a year before. Motor trade sales volumes are still well down on a year ago. Investment intentions reported to the CBI are also well down.

Where the present and previous recessions clearly differ is that the present one has made much further inroads into inflation than that of the early 1980s. The July CBI survey shows unit cost increases were the lowest since the survey began in 1958. The CBI survey also finds that more firms have cut prices than increased them for the fifth quarter in a row.

No one is suggesting that stable prices are a guarantee of growth either in the short or the long term. But they provide a much better background for an enduring recovery when that does come; and it will be folly to throw away the prospect in return for fool's gold.

In the words of CBI staff economist Mr Sudhir Junankar, writing in the previous month's CBI Economic Situation Report: "With productivity set to increase strongly, the competitive position of UK manufacturing is likely to improve significantly."

Even the CBI survey is not all gloom. A clear majority of firms expects to increase their expenditure on product and process innovation. A majority also expect to spend more on training and retraining – even more than did a year ago.

A great deal of evidence that the economy's supply-side potential did increase as a result of the competitive shake-up of the 1980s is given in the new summer Treasury bulletin. But because this was a quietly argued article, which stuck to the evidence and neither proclaimed a miracle nor prophesied doom, it did not gain the attention it deserved.

Action is being taken against leases with upward-only rent reviews

An optimistic long-term interpretation is also supported by a paper by Peter Spencer of Kleinwort Benson, who makes a good case that, in contrast to the last recession, "the surge in investment seen during the Lawson years has allowed manufacturers to cut costs without cutting capacity". My mere citation of this paper will enrage the doomsters, especially those working for rival firms.

The snag is that manufacturing and construction together account for only about 30 per cent of GDP. An illustration of the distance we have to go in eradicating inflationary psychology from the whole economy, and the difficulty of so doing, is the fact that only now is action being taken against the 25-year commercial property leases which provide for upward-only rent reviews every five years.

The chief executive of Littlewoods, Sir Desmond Pitcher, has written to the UK's biggest retailers to suggest joint action against this iniquitous practice; and a meeting will take place in the autumn to plan the campaign.

Do you think these belated efforts to stand up to this bullying manifestation of the inflationary mentality would survive if the government gave in to the siren voices demanding that it should throw in the towel – a better metaphor than abandoning the ERM strait-jacket – and slash interest rates or abandon all control over public spending, irrespective of what happens to sterling or prices? If it did this, all the pain of the recession – as on so many previous occasions – would have been for nothing, and some future administration would have to start again from square one. The CBI has kept its nerve better than many Tory MPs and newspapers, confining its policy demands to some mildly useful palliatives, as well as reiterating some hardy annual grouses.

I see no evidence that the government is sacrificing the real economy on the altar of a literally zero rate of inflation. If you look, not at ministerial speeches, but at the public expenditure projections made available last week and reported in my column on July 27 ("Public Spending: A New Try"), you would see that medium-term spending plans now assume an average annual rate of increase of 2¼ per cent on the GDP deflator – about the widest of available price indices. This is about the highest rate compatible with the Greenspan definition of stable prices – when inflation does not enter as a serious factor into business calculations.

If we are to get that low in an average year, prices overall may have to fall in an occasional recession year – and certainly in particular sectors – without a rush to the money printing press because of cries of "deflation". There is no genuine deflation while the UK national income in money terms is still rising by 4 to 5 per cent a year.

A look around the world should be sufficient to dispel the belief that the British recession is a peculiar, insular disease caught from membership of the ERM. The Japanese economy is this year teetering on the brink between zero growth and an output drop. But the Japanese authorities are not constrained by any international agreements in running their monetary policy. In the US, interest rates are the lowest for a generation, yet still the recovery is obstinately reluctant to take off.

If there is a distinction around the world between the more and the less recession-prone countries, it is not to do with exchange rate arrangements. It is rather the distinction between those – mostly the English-speaking countries plus Japan – that experienced a massive credit boom in the late 1980s and which are now suffering from a debt overhang, and those that did not.

The distinction is visible even within the UK. The recession is at its worst in the south-east, where the credit boom went furthest and where the financial talking classes are to be found.

The gloomiest prognoses are to be found in this part of the country. When the green shoots of recovery are eventually seen, they are likely to come from areas well to the north and west of London, which should surely be welcome to those who have been lecturing us on regional imbalance for several decades.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Lloyd's too dependent on US business

From Mr David Neckar.

Sir, While insiders and outsiders wrangle at Lloyd's, the fundamental business problem of that market continues to be ignored.

It is the excessive dependence on American business which underlies so much of its present financial woes.

The deadly cocktail of capricious courts mixed with liability risks has produced such problems as asbestosis, environmental pollution and now possibly smoking-related claims.

These are burning like an underground coal fire, destroying the foundations of the market.

Who is now prepared to join a market that contains such latent and unquantifiable hazards? And what is being stored up for the future in today's underwriting?

Lloyd's needs to cut off its current exposure to old American risks (possibly by leaving the American Trust Fund to "run off" its existing exposure) and to require all future policies to have an absolute aggregate limit and to be subject only to UK law and jurisdiction.

This might decimate Lloyd's income (not such a problem if its capacity is shrinking anyway) but it will surely increase its profits ten-fold to compensate.

David Neckar,
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Intolerable burden on Blue Arrow judge

From Mr Edmund Lawson QC.

Sir, I write purely in a personal capacity.

That said, let me declare a possible interest: I acted as counsel to a corporate defendant in the Blue Arrow trial, my client being acquitted by direction of Mr Justice McKinnon and therefore not involved in the appeal which was finally resolved on Tuesday.

And, please, let me disclaim an interest: my first and only contact with Mr Justice McKinnon was in connection with that trial. It happens that I lack judicial ambition. Thus, in writing as I do, I have neither a personal nor a professional axe to grind.

The extent to which Mr Justice McKinnon is to be criticised in respect of aspects of the conduct of the trial is for others to assess.

However, it ought at least to be pointed out that throughout, he dealt courteously and promptly with every submission made; he had the courage and integrity to confess that, in respect of corporate defendants, his previous rejection of an application to direct acquittal was "wrong"; and ultimately he sought to reduce the jury's burden in a genuine, albeit – as the Court of Appeal indicated – erroneous but undoubtedly bona fide attempt to secure fairness.

Lord Lane, before his retirement, spoke of the "intolerable burden" on judges trying serious fraud cases. Those of us who sat through the Blue Arrow case witnessed a supremely honourable attempt to discharge that burden.

Edmund Lawson,
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The case for independent input

From Mr J M F Padovan.

Sir, The topical subject of corporate governance and the desirability of involving non-executive or "independent" directors centres on the belief that this leads to better corporate decision-making. Independents are expected to be good at distinguishing the wood from the trees, and at ensuring that executives (normally with unquestioned technical competence) use to the full the experience and objectivity which non-executives can bring.

Why then, with near unanimity among both practitioners and regulators on the desirability of the independent input, is it ignored as an aid to good decision-taking in some regulatory bodies themselves?

Take the Serious Fraud Office. Would it not be sensible to have a panel of senior professionals, businessmen and academics, who could be co-opted when decisions are to be taken on whether to prosecute, what charges to bring, how much "plea bargaining" to allow, what further resources to allocate to an investigation, and so on.

There is little confidence in the effectiveness and efficiency of recent City prosecutions: the success ratio has been low and judgment on which cases to press on with and which to abandon has looked unbalanced to say the least.

The SFO has achieved little in protecting the City's good name at a time when this has never been more important and when most would agree that in reality London is a "cleaner" place to do business than any comparable financial centre.

John Padovan,
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2 Swan Lane,
London EC4R 3TS

Team briefing has become part of the workplace vocabulary

From Ms Yvonne Bennion.

Sir, Your report of the study, sponsored by the Department of Employment, on employee involvement ("Team briefing has little effect on commitment", July 27), is unjustifiably gloomy about team briefing. Many employers would be pleased that the introduction of a simple monthly drill contributed to nearly 60 per cent of employees knowing more about their organisation.

Team briefing has become part of the accepted vocabulary of the workplace – a tribute to the many employers who know that ignorance is incompatible with effectiveness and profitability.

Yvonne Bennion,
campaign and development director,
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London W1H 7LN

Beyond the economic chill in Japan

From Mr Richard A J Maynard.

Sir, Please do not listen only to the gloomsters. Your analysis of the impact of Japan's latest rate cut ("Time runs out for the patience principle", July 27) paints a picture of a nation with nothing to look forward to but economic rigor mortis.

It is true that corporate profit growth rates, capital expenditure, business confidence, consumer spending and the Tokyo stock market have all taken a buffeting.

But gloomsters overlook two factors; one economic, the other sociological. With a full-year net trade balance close to (or above) $100bn, no government budget deficit, and gross national product on course for at least 2 per cent growth, Japan's economy is still more robust than any other among the G7 nations.

But perhaps more significant; whenever in the past the Japanese economy has been hit by what looked like a knockout blow, as it was by the quadrupling of oil prices in the 1970s, its response has always been a period of analytical reflection (known as "hansei") – followed by re-emergence as a more efficient and better-structured economy ready to enter another formidable growth phase. I'm going to watch it happen all over again.

Richard A J Maynard,
managing director,
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Local customs

From Mr N F Parker.

Sir, With reference to your article "On Parade" (July 14) and at the risk of disagreeing with Mr Algosaibi (Letters, July 16), I have been travelling between the UK and Saudi Arabia for many years, and I now know the customs/immigration system well enough to negotiate it within 30 minutes, without special treatment. Is this is a marketable service?

N F Parker,
PO Box 3, Jeddah,
Saudi Arabia

OBSERVER

Prepared for the burst

■ "Keep taking the iodine tablets" is the Swiss government's advance prescription for potential victims of disasters at Switzerland's five nuclear power stations.

With a precautionary zeal befitting a country where all home-builders must provide fall-out shelters for every resident, the 1.5m citizens living within 20km of the plants are to be given rations of potassium iodide as a safeguard against any outburst of radioactivity.

The chemical's protective value against thyroid cancers was shown by tests after Chernobyl where, of 18m people treated with it, only three developed an over-functioning thyroid gland.

The distribution has been meticulously planned, with zones of differing urgency reflecting reflecting nearness to the plants. Since it is calculated that beyond 20km away there will be at least 12 hours to take protective action, supplies for residents at greater distances will be held in stores.

The cost is put at about £2m initially, plus annual charges – based on five years shelf-life for the tablets – of £230,000. And naturally, given Swiss logic, the bill will go largely to the potential disaster-causers, the power stations.

Long term

■ Will he jump off the bench, or wait to be pushed? So goes the question being asked in lay quarters about the hapless Mr Justice McKinnon, criticised by the Court of Appeal for his role in the Blue Arrow fraud trial "disaster". But the query betrays total misapprehension about how these things work.

After all, if judges resigned every time they were taken to task by their loftier brethren, the High Court bench would have more space than bottoms. Implicit in an appeal system is the recognition that judges aren't infallible, and so can err without being incompetent, malevolent or out of their wigs.

But it just happens that there are some judges who never get promoted to the Court of Appeal or the House of Lords, a reflection perhaps of their stature in the eyes of the Lord Chancellor.

So probably the worst prospect ahead of £87,620-a-year McKinnon is eking out his working life – which as he's only 53, could last another 19 years – on High Court bench and crown court circuit.

Moving mouths

■ Memo to ambitious public relations types: First, when you've no good news to push, lie low – the bearer of bad tidings is apt to get shot. Second, and more important, be sure to back a boss who is a winner.

Anyone doubting the wisdom of said advice need only look at a couple of developments yesterday.

James Poole, who has done well beefing up Barclays Bank's PR department, will soon be out of a job. He was close to chairman Sir John Quinton, who retires at the end of a troublesome year for Barclays, and Poole's face doesn't suit the post-Quinton planners. Instead of renewing his contract, Barclays is replacing him with a career banker.

Meanwhile 38-year-old Howell James, one of the few outsiders on the BBC's management board, is off to be the official mouthpiece of his old mentor, Cable and Wireless chairman and former cabinet minister Lord Young.

"It's all about bums on seats"

James, who made his PR mark during TV-am's turbulent launch, is hoping to work the same sort of magic on Young's private-sector image as he previously did on the public-sector equivalent. It should be an easier task, always provided that Young doesn't lose his job.

Even so, it's a strange move. Running the PR machine of a utility should be nowhere near as exciting as nursing the BBC's image in the run-up to the renewal of its charter. Could it be that Howell has decided C&W is a safer job?

Career accident

■ No one should feel too sorry for BT chairman Iain Vallance if the questioning turns a bit rough at today's annual meeting. Fate has undeniably been kind to him. He is only 49 and if he plays his cards right, and is still running Britain's biggest company a decade from now, he should have collected a knighthood if not a peerage.

Things could have been different. When Vallance joined the old Post Office it was as an assistant postal controller. By contrast, one of his keenest rivals, Bill Cockburn, had started on the telecom side and joined a good five years before Vallance.

Indeed, Cockburn, who is two months older than Vallance, was personal assistant to the PO chairman before Vallance held the job. Over the next few years they followed one another in similar financial jobs but some time during the 1970s Vallance moved ahead and after British Telecom split from the PO in 1981, he has never looked back.

By contrast Cockburn has only just been promised the chief executive's seat at the PO. Not only is he getting paid a quarter of what Vallance gets, but he is going to have to deal with an unknown new chairman besides undergoing a break-up orientated review of his organisation.

And they say the private sector is insecure.

Sucker

■ Ugh! – the indefatigable Hurd strikes again. Hardly had Britain's globe-trotting foreign secretary hit Kuala Lumpur after taking in a Philippines conference, than he bade the UK high commissioner there to organise a jungle walk.

Off trooped the party, Hurd doing a David Attenborough in the van, our man in Malaysia to the rear. The foreign secretary came back exuding enjoyment, and the high commissioner with a leech up his trousers.

Chicken?

■ "The Dovecote", says the first of two signs on the gate of a Hampshire cottage. The one beneath reads: "No Hawkers!"

FINANCIAL TIMES
Thursday July 30 1992

Security Council expected to react to escalation of fighting within days

Iraq steps up attacks on Shias

By Daniel Green and Mark Nicholson in London

IRAQI troops have surrounded Shia strongholds in the south of the country and are intensifying attacks on rebel positions, it emerged yesterday.

Diplomats at the United Nations said they expected the Security Council to act on the escalation of fighting in the south within days. "It's a matter of extreme concern," said one diplomat yesterday.

Britain and the US have begun discussing how to respond to the offensive against the Shia, which has been waged intermittently by the Iraqi army since the end of the Gulf war and with particular severity since March.

Baghdad has intensified the conflict in the past few days by deploying ground attack aircraft against the Shia for the first time since the Gulf war.

Four or five divisions – about 50,000 men – are believed to be stationed around the perimeter of the marshlands used by Shia militia as sanctuary from tank attack.

Until last week, attacks on the Shia had been confined to artillery bombardments and incursions by patrols.

The use of Russian-built SU-25 "Frogfoot" ground attack fighters is a significant escalation in President Saddam Hussein's suppression of the Shia. It also violates the terms of UN resolution 688, which calls on Iraq to end its repression of the Kurds and Shia.

Their use threatens to revive the brinkmanship between Iraq and the UN, which led last week to renewed threats of military action. This was in response to Baghdad's refusal to allow UN weapons inspectors into a ministry building.

Demonstrators in Baghdad protest at the UN inspectors' search of the agriculture ministry

Iraq has probably had some success in rebuilding its early warning radar networks. This could complicate any small-scale air attack by UN-backed forces because radar installations would have to be disabled first.

In addition Iraq still has 300 combat aircraft, of which about 150 are airworthy, compared with 750-800 before the invasion of Kuwait two years ago.

Other Iraqi forces seem to have been reconstituted to about 40 per cent of their levels two years ago. It has almost 2,000 tanks and a similar number of artillery pieces with 350,000 men under arms. More than half of the army's 28-30 divisions are dug in along the Kurdistan border and are in continual skirmishes with Kurdish forces.

About one-third are in southern Iraq attempting to exert control over the Iranian-backed Shia forces.

The remaining four or five divisions, mostly the elite Republican Guards, are stationed around Baghdad accompanied by the newly reconstituted Presidential Guard. The latter consists of a few brigades.

● A team of UN weapons inspectors said yesterday it had found no weapons-related materials after searching Iraq's agriculture ministry building for several hours. The UN team had previously been barred from the building.

However, Mr Achim Biermann, who led the UN team, said: "There is room for deep concern that some major material may have been taken out."

A previous UN team suspected that documents related to Iraq's chemical, biological and nuclear weapons programme were being hidden in the building.

Mr Rolf Ekeus, head of the special commission investigating Iraq's weapons of mass destruction, left Baghdad for New York yesterday saying: "We have not cleared out what remains in Iraq."

THE LEX COLUMN

Taking a short break

The FT-SE's rise of more than 3 per cent in the past two days is in welcome contrast to the recent mood of desperation. But it would be premature to assume a lasting change in sentiment. There is a natural inclination for London to follow Wall Street's sharp rebound while it lasts. Germany's June inflation figures were better than expected, which may go some way towards allaying fears of a rise in the Lombard rate after the summer holidays. Neither of these developments holds any promise of a sudden change for the better in the UK economy.

The striking aspect of Wall Street's recovery is that companies such as Chrysler are starting to produce the kind of earnings recovery for which US investors had been nervously hoping. There is less chance of a pleasant surprise on earnings in the UK, notwithstanding the odd bright spot such as BAT. If there were, house repossessions would be falling faster and the latest CBI survey would not have made such depressing reading. Meanwhile, the rise in equities has not generated much end-investor demand. That smacks more of a market trying to establish a floor than one poised for real recovery.

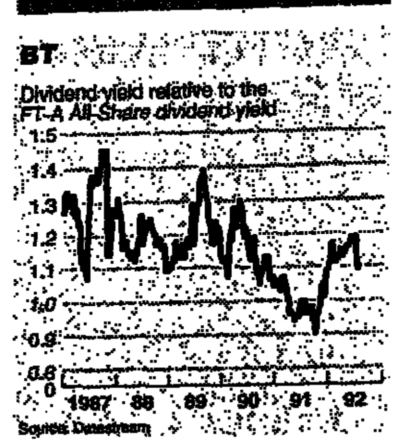
BT

The headline drop of 38 per cent in BT's first-quarter earnings per share is not quite as alarming as it looks. First, there is a large one-off exceptional charge on disposals. Second, the full-year charge to the profit and loss account for redundancies will be around £450m this year compared with just £30m last. The actual cash cost will be nearer £600m. But shedding more than 33,000 jobs on an average salary of close to £20,000 will save nearly £600m a year as well. In the context of a company making £3bn before tax that is fairly material.

Thereafter, BT will be engaged in a slightly unnerving process of reducing employment each year in an attempt to match the downward pressure on prices imposed by the regulator. If inflation stays low, the promised regulatory formula of RPI minus 7.5 per cent should ensure this is a losing battle. But the company expects to keep cutting jobs for another three or four years. By then, with luck, competition in the domestic market will have increased to the point where regulation can be less demanding.

For the investor, the central point is what all that means for the dividend.

FT-SE Index: 2423.2 (+49.8)



The headline earnings figure this year could show a fall of as much as 10 per cent. Adjusting for exceptionals and redundancy costs, however, the underlying figure could show a slight rise. This might be taken to justify a corresponding rise in the dividend. BT's historic yield premium to the market average is 10 per cent. It has been higher in the recent past. But, as the market is doubtless starting to reflect, the lack of clarity over its dividend outlook is scarcely any greater than for the corporate sector as a whole.

BAT Industries

With the market braced for a dour results season, the cash-generative capacity of BAT Industries and its aggressive dividend policy were always likely to win friends. Yesterday's figures confirmed that damage limitation in UK insurance is now feeding through into higher earnings, while tobacco continues to generate cash in the old way. Moreover, as losses at Eagle Star are staunched, BAT starts to look a less hopelessly tax-inefficient investment vehicle. ACT is again being utilised and the effective tax rate is down to 42 per cent, from 57 per cent last year.

Yet the outlook for Eagle Star remains unclear. Provisions against domestic mortgage indemnity business show no sign of declining from the current rate of £25m a quarter. While the company has tightened underwriting criteria and promised to get tough with the building societies over the terms of new business, losses on policies already written are linked to the rate of repossessions, over which it has no control. Increased marketing spend on US tobacco suggests competitive pressures are building, while the weakness of the dollar could depress second-half US earnings on translation.

But while there are still risks, BAT has promised at least to maintain the 9 per cent rise in the interim dividend for the full year. On this basis alone the stock may have further to go, even after outperforming the market by 20 per cent so far this year. Assuming it can carry on delivering dividend growth above inflation beyond the current year, the prospective yield of 6.6 per cent looks undemanding.

Lasmo

By the middle of this decade Lasmo could have entered a golden age. Development expenditure is peaking; if the disposal programme proceeds according to plan, gearing should soon start to drop from its present 80 per cent. Debt should be further reduced within a couple of years as the heavy oil and gas investments in Indonesia and the North Sea pay off. That could suggest the shares are undervalued after their fall of more than 60 per cent during the past year. The snag is that there are still some short-term hurdles to overcome before long-term promise is fulfilled.

Lasmo has managed to maintain its interim dividend, but it was helped by its decision to capitalise the £22m interest costs of carrying Ultramar's downstream businesses which are now sold. The company would argue that the move was a logical reflection of the fact that the downstream assets were never relevant to its main business, but indirectly it still helped relieve pressure on distributable reserves. More open assistance came from the release to distributable reserves of £373m from its merger reserve. That more than offset the extraordinary loss of £291m on the downstream assets disposal.

One interpretation of these balance sheet manoeuvres is that they show the company's determination to maintain its dividend. But they also underline the tightness of the distributable reserve position. The company should be placed to maintain its final payment. Barring a rebound in the sterling price of oil, next year's prospects are less certain. By then there will be less scope for capitalising interest on development activities. Lasmo may be trading close to the lower end of the range of net asset estimates, but the shares are not for the nervous.

Bundesbank attacked over 'misguided' monetary policy

By Quentin Peel in Bonn

THE Bundesbank yesterday was accused of pursuing a misguided and self-defeating tight monetary policy, which threatens to undermine the entire restructuring process in east Germany.

In the most coherent and outspoken attack so far on the latest Bundesbank move to raise interest rates, the Berlin-based German Institute for Economic Research (DIW) accused the central bank of misunderstanding the extraordinary causes of the current expansion in M3 money supply.

It warned that, far from curbing the growth of money supply, the latest increase in the discount rate – from 8.0 to 8.75 per cent – would actually increase it.

The critique was written by Mr Heiner Flassbeck, head of the institute's main economics department, and specifically sanctioned as a policy statement of the institute. Yesterday Mr Flassbeck described the Bundesbank policy as both astonishing and "absurd".

Although the discount rate rise in itself might not be significant, its effect as an indication of the central bank's determination to tighten monetary policy yet further was very important, the institute says.

In west Germany, "the tendency towards recession which already exists will be aggravated further in the light of the dwindling hopes of interest rate cuts", it says. In the east of the country, which is struggling with massive structural adjustment following unification, the move was likely to slow essential investments and greatly the economic crisis.

Investments are being made unnecessarily more expensive, and are therefore being cut, the report says. "This course of action is going more and more astray, because only investment can in the end solve the problems of a united Germany – including the problem of inflation."

The DIW cites two principal causes for the growth in M3, the broad measure of money supply, at the current rate of 9 per cent per year – well outside the 3.5-5.5 per cent Bundesbank target zone. One reason is the rapid growth in bank credits to enterprises and individuals, and the second is a switch into high interest-bearing term deposits. Neither justified a further interest rate rise at the July 16 Bundesbank meeting, the DIW says.

The main reason for the expansion of bank credits is the investment need in east Germany, where the restructuring process is not a factor contributing to overall inflation, it argues. Prices will rise in the east, along with wages, until they reach western levels, and then stabilise.

Given the relatively slow growth of western investment in the east, apart from public sector investments in infrastructure, it is possible to argue that the present 11 per cent growth rate in bank credit is actually too slow.

The rapid growth in term deposits is caused by the Bundesbank's high interest rate policy pushing up short-term rates, at the expense of longer-term money instruments.

The latest increase could well simply aggravate that trend, the DIW says.

The essence of the DIW argument is that the current rapid growth in money supply which perturbs the Bundesbank is a result of the unique circumstances of unification, and restrictive monetary policy is thus giving ali the wrong signals.

"The Bundesbank will become a slave to its own money supply concept when it can no longer differentiate which part of money supply leads to inflation and which to the opposite," the DIW concludes.

Warning to Major on home-loan debt crisis

By David Barchard and Alison Smith in London

BRITAIN'S mortgage lenders have told the government they cannot control the flood of borrowers at risk of having their homes repossessed because they are unable to repay their loans.

In spite of assurances given by Mr John Major, the prime minister, before the election that the repossessions problem was under control, new figures showed that the number of home-owners in serious arrears with mortgage payments rose sharply in the first half of the year.

Mr Mark Boléat, director-general of the Council of Mortgage Lenders, said 305,140 home loan accounts – more than 3 per cent of the total – are now more than six months in arrears. This compares with 275,350 at the end of last year.

During the first half of the year 35,750 properties were repossessed by lenders because their owners could not keep up with their mortgage payments. Although this figure was 8 per cent down on the second half of last year, reflecting a more lenient approach by lenders to borrowers in arrears, it was also higher than expected and suggests that the number of homes repossessed by the year end may be close to last year's total of 75,540.

Mr Boléat said that although the repossessions figures were down, the growing level of arrears suggested clearly that the position was deteriorating and was now beyond the control of mortgage lenders.

Towering failures, Page 12

Honecker flown to Berlin to face trial

Continued from Page 1

Ministry of State Security (Stasi), exceeded their powers under East German law; that they broke international laws, in particular the UN convention on civil rights; and that they infringed basic human rights.

Mr Honecker argues that he cannot be found guilty on that basis, because he was empowered under East German law to issue administrative orders, including the order to shoot to kill.

The west German authorities have been somewhat half-hearted in wanting to summon Mr Honecker home, but have responded to political pressure from the east. There the demand that he should take responsibility for the human rights crimes of his former government has been politically irresistible.

There was little apparent jubilation in eastern cities yesterday. But Mr Harri Röbling, an east Berliner strolling near where Mr Honecker ruled until his removal from power in October 1989, spoke for many. "He was a scoundrel," he said.

World Weather

		°C	°F
Alaccio	S	30	86
Algiers	S	33	91
Amsterdam	S	24	75
Athens	S	32	90
Bahrain	S	37	99
Bangkok	R	30	86
Barcelona	S	28	82
Beijing	S	32	90
Beirut	S	27	81
Belfast	F	17	63
Belgrade	S	27	81
Berlin	S	21	70
Biarritz	S	34	93
Bombay	F	29	84
Bordeaux	S	32	90

		°C	°F
Boulogne	S	25	77
Brussels	S	24	75
Budapest	S	25	77
Buenos Aires	C	10	50
Cairo	F	33	91
Cape Town	S	15	59
Caracas	R	26	81
Casablanca †	S	26	79
Chicago †	F	19	66
Cologne	S	24	75
Copenhagen	S	21	70
Corfu	S	35	95
Dallas †	C	25	77
Dublin	C	17	63
Dubrovnik		–	–
Edinburgh	F	18	64
Faro	F	31	88
Florence	S	34	93

		°C	°F
Frankfurt	S	25	77
Geneva	S	25	77
Gibraltar	S	27	81
Glasgow	F	17	63
Helsinki	F	19	66
Hong Kong		–	–
Innsbruck	S	27	81
Inverness	F	17	63
Islamabad	C	27	81
Istanbul	T	25	77
Jakarta	C	33	91
Johannesburg	S	17	63
Lisbon	F	26	79
London	S	22	72
Los Angeles †	C	18	64
Luxembourg	S	24	75
Madeira	S	25	77
Madrid	F	33	91

		°C	°F
Majorca	S	31	88
Malaga	S	31	88
Malta	S	31	88
Manila	C	32	90
Melbourne	F	13	55
Mexico City	C	19	67
Miami †	S	28	82
Milan	S	28	82
Montreal †	C	18	64
Moscow	C	17	63
Munich	S	24	75
Nairobi	C	26	79
Naples	S	35	95
Nassau	C	29	84
New Delhi		–	–
New York †	S	22	72
Nice	S	31	88
Nicosia	S	28	82

		°C	°F
Oporto	S	23	73
Oslo	S	20	68
Paris	S	28	82
Prague	S	22	72
Reykjavik	C	11	52
Rhodes	S	30	86
Rio de Janeiro	C	28	82
Rome	S	31	88
Salzburg	S	24	75
S'Francisco †	C	12	54
Seoul	C	30	86
Singapore	S	29	84
Stockholm	F	21	70
Strasbourg	S	25	77
Sydney	S	19	66
Taipei	F	34	93
Tangier	S	30	86
Tel Aviv	S	30	86

		°C	°F
Tenerife	S	29	84
Tokyo	S	33	91
Toronto †	C	16	61
Tunis	S	31	88
Valencia	S	31	88
Venice	S	29	84
Vienna	S	25	77
Warsaw	F	21	70
Washington †	S	22	72
Zurich	S	24	75

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

Thursday July 30 1992

INSIDE

BAT raises dividend on 55% profits growth

Reduced mortgage indemnity losses helped BAT Industries, the tobacco and financial services group, raise pre-tax profits 55 per cent to £645m ($1.2bn) in the six months to June 30. Earnings per share more than doubled to 22.9p (10.1p) and the interim dividend was lifted 9 per cent to 14.6p. Page 17

Tyremaker deflated

Bridgestone, Japan's leading tyremaker, blamed weak domestic car and construction industries for a 21.4 per cent fall in first half pre-tax profits to Y28.9bn ($231m). The company is still confident of an upturn in the Japanese economy in the second half. Page 20

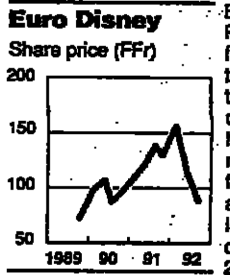
Venture for vaccines

Pasteur Mérieux Serums et Vaccins, the world's biggest supplier of vaccines, and the vaccine unit of Merck of the US, another leading producer, have agreed to set up a joint European subsidiary. Page 17

Statoil falls to NKr1.7bn

Statoil, the Norwegian state oil company, reported a drop in half-year net profit to NKr1.7bn ($291m) from NKr2.4bn last year, and warned that net profit for the whole year would be below last year's NKr4.196bn. Page 17

Blow to Euro Disney shares



Euro Disneyland, the Paris theme park, suffered a further blow with the news that Airtours, the tour operator, was considering dropping holidays there. Euro Disney is already reeling from poor attendance and forecasts of interim losses. Yesterday, the company's shares fell 20p to 940p. Page 23

Thai banking boom

Thai banks have reported sharply higher earnings in the first half of 1992. Bangkok Bank, the country's largest, reported net profits up 45 per cent to Bt4.86bn ($192m). Most other banks announced increases of more than 50 per cent, and some of more than 100 per cent. Page 18

Mineral miners under fire

Each year the mineral mining industry strips 28bn tonnes of material and generates 2.7bn tonnes of waste, much of it hazardous. The figures appear in a study of the environmental impact of mineral extraction which calls for strict regulation of the industry. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Bayer-Hypo	382.5	+	9.5	Bouygues	573	+	20
Continental AG	255	+	11	Gal. Lafayette	2150	+	85
Karstadt	605	+	17	Havas	488	+	20.5
Linotype-Hell	380	+	11	Pernod Ricard	382.5	+	17.5
Falls				Schneider	617	+	34
Aachen Mch Reg	695	–	42	**Falls**			
Asko Prf	539.5	–	10.5	Cogifi	292.1	–	16.9
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Falls**			
Apple Computer	47¼	+	¾	Ask	389	–	54
Bristol Myers	69	+	1⅝	Clarion	431	–	100
Eastman Kodak	43⅝	+	1¾	Lec	13	–	2
Gen Motors	41⅝	+	¼	Nichimo	260	–	40
Presley Co	8⅞	+	1	Sato Kogyo	580	–	73
Falls				Tsugami	410	–	60
Wang Labs	1	–	1⅞				

LONDON (Pence)							
Rises				Telegraph	292½	+	16½
Airbreathers	45½	+	5½	**Falls**			
Airtours	253	+	22	AB Electronic	70	–	5
BT	346	+	13	Alphameric	12	–	3
English China	474	+	24	Ashley (Laura)	74	–	5
Elonbrook	79	+	6	Atlas Conv Eq	486	–	23
Ex-Lands	18	+	4	Blackland Oil	6	–	3
INVESCO MIM	75	+	9	British Land	168	–	6
MB-Caradon	247	+	12	Dudley Jenkins	57	–	7
Misys	304	+	13	Br'dgePopeA	75	–	5
Psion	100	+	15	Hammerson A	239	–	19
RMC	501	+	22	Kwik-Fit	111	–	14
Royal Insce	197	+	12				
Smith (WH) A	392	+	19				

Family fortunes: Tatsuro Toyoda (left) and brother Shoichiro

Toyota names new president

Gordon Cramb on the Toyoda family's control of carmaker

TOYOTA Motor yesterday signalled the end of Japan's most successful corporate dynasty when it appointed a president from within the founding Toyoda family but said the next incumbent would probably come from the group at large.

Mr Tatsuro Toyoda, aged 63, inherits the job from his elder brother Shoichiro, 67, who becomes chairman. Mr Eiji Toyoda, their 79-year-old uncle, is relinquishing that post for the title of honorary chairman.

Mr Tatsuro Toyoda, who in 1984 spearheaded the launch of Toyota's US joint production venture with General Motors, is expected to bring a more international flavour to the job. He said that his presidency of the country's biggest carmaker would not be nearly as long as Shoichiro's 10 years and, when asked if the company's next president would come from outside the family, said: "It is likely."

The complacent nature of family managements in some large companies is coming under increasing criticism in Japan as a domestic economic slowdown has put earnings growth into reverse. Mr Shoichiro Toyoda, pointing out that the Toyodas were not represented in any other senior management levels below the presidency, held out the prospect of a more collegiate style.

He said "management should not depend on a single leader" as he announced the appointment as vice-chairman of Mr Masami Iwasaki, who along with Mr Tatsuro Toyoda had been vice-president. Five other directors were made vice-presidents in their place.

Industry analysts said that while any changes in strategy were likely to be modest, Toyota had to find ways to get to grips with the fall-off in domestic demand. Mr Koji Endo of SG Warburg Securities described Mr Tatsuro Toyoda as "a top-rated executive, even if he is a Toyoda anyway" and one of the most internationally minded at the company.

Before yesterday's appointments are confirmed at the annual shareholders' meeting in September, Mr Tatsuro Toyoda said the company had to "implement various measures to counter" declining profitability. Toyota is due to report results for the year to June which are expected to show a one-third decline in parent pre-tax profits to around Y380bn ($3bn).

However, the company has recently become more bullish than its rivals on the outlook for 1992 car sales in Japan saying this month that the worst is over. After a 4 per cent first-half fall, demand for Toyota models in July-December should be flat.

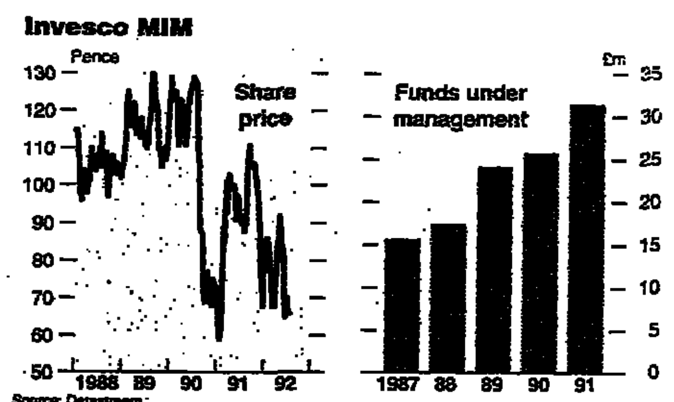
Some industry watchers attribute this confidence to new model launches due in the period, and others to aggressive pricing.

The company reaffirmed its commitment to international expansion through production abroad and cited the opening this year of a UK plant in Derbyshire. However, as in Japan, possible future ventures to which funds had not yet been pledged would be postponed. In the spring, Toyota withdrew as a potential bidder for Rolls-Royce Motors saying Vickers, Rolls-Royce's parent, had wanted too rapid an answer.

Mr Shoichiro Toyoda acknowledged that his brother was becoming the company's main operating officer at a difficult time but said: "The presidency is not just handed down – we appoint the most appropriate person." Mr Tatsuro Toyoda described the current leadership as "the last generation" which "exhausts the family".

Adverse publicity added to calls for a change in management

Lord Stevens out of style at Invesco



Source: Datastream

By Norma Cohen and Robert Peston

The phased departure of Lord Stevens of Ludgate from the helm of UK-based fund manager Invesco MIM has been some time in the making, according to executives and directors of the company.

His departure was undoubtedly hastened by adverse publicity which undermined the company's ability to attract new clients, both for its retail products and its wholesale fund management division.

His close association with the late Mr Robert Maxwell, a well-publicised fine by regulators for sloppy administration of Personal Equity Plans and the disastrous investments of an Invesco MIM investment trust, Drayton Consolidated, also harmed the company's image.

But individuals familiar with the firm say that ultimately, Invesco's shifting business mix meant that Lord Stevens' management style and focus were no longer appropriate.

"What underlies all this is a change in management style which is overdue," said one senior Invesco executive. Lord Stevens' hands-on approach meant he was involved in the day-to-day decisions of the company while the focus of its operations was increasingly overseas.

Executives and directors of Invesco MIM said they put pressure on Lord Stevens, who is 56, to retire.

However, a financier close to Lord Stevens said he himself initiated discussions about reducing the burden of his responsibilities at the group almost six months ago.

The proposal is said to have been recorded in minutes of an Invesco MIM board meeting.

At the time, the group had been advised that its US operations were worth around $430m, more than the value put on the group as a whole by its stock market price.

In January, and with the greatest secrecy, Invesco MIM began work on floating off the US business as a separate company. It employed the US investment bank Salomon Brothers as its adviser.

Detailed work on the demerger was carried out, but a couple of months ago, the deal was dropped for two reasons:

- the market value of US fund management groups had fallen;
- a thorny tax problem had arisen, which meant that the US business was probably worth less as an independent company than had been hoped.

If the demerger had gone ahead, Lord Stevens would have been at the helm of a much smaller group and the question of whether he was overburdened with responsibilities would have been less pressing.

However, the issue of the group's management structure re-emerged once it became clear that the international business would remain intact.

Shareholders had been concerned about Lord Stevens' role as a chairman of companies in which Invesco MIM had direct or indirect interests. In 1991 he earned £339,000 ($650,000) as chairman of United Newspapers, owner of the Daily Express, and was also chairman of Alexander Proudfoot, the management consultant, and the poor-performing Drayton Consolidated investment trust.

"We have been conscious of the fact that we have been criticised for holding interests in companies in which Lord Stevens has an interest," said Mr Michael Perman, company secretary. However, he said Invesco MIM began to dispose of much of those interests some months ago.

At a board meeting on Monday, it was decided that Lord Stevens' executive duties should be taken by Mr Charles Brady, who was appointed chief executive with immediate effect. Lord Stevens would retire as chairman at the next annual general meeting in the spring of 1993.

Lord Stevens remained chairman of Alexander Proudfoot, and also of United Newspapers whose shares rose yesterday, probably on the assumption that he will have more time to devote to it. But Invesco MIM's share price also closed 9p higher at 75p.

At Invesco, the US business has in effect taken control of the whole company with the appointment to the top executive post of Mr Brady, who built up the North America operations.

At the same time, Mr Nicholas Johnson, in charge of the European and Pacific operations, has given up his title of joint deputy chairman.

Invesco MIM's US operations are highly profitable – and have also had unusual success in penetrating the almost impenetrable Japanese pension fund management market.

On the domestic front, the company has been hindered by a lacklustre investment performance for its pension funds under management and has had difficulty attracting new clients, according to pension fund consultants and industry analysts.

Lord Stevens' 30-year City career – most of it highly successful – has been spent at companies now part of Invesco MIM. So his departure is something of a rite of passage for him – and for the company.

Trevor Humphries

Lord Stevens: phased departure some time in the making

Ford returns to half-year profit

By Martin Dickson in New York

FORD MOTOR yesterday underscored the gradually improving outlook for US car manufacturers when it reported second-quarter earnings of $502m, compared with a loss of $324m a year ago.

However, Mr Harold Poling, chairman, noted that the US economy, while improving, remained fragile, as were the economies in many main overseas markets. He said it would continue to be difficult to achieve healthy results in the rest of 1992.

Ford's profits, achieved on revenues up 13 per cent at $26.8bn, worked through to earnings of 93 cents a share, compared with losses of 68 cents in the second quarter of last year. This was lower than Wall Street forecasts, which were pitched around earnings of 99 cents.

However, analysts noted the underperformance was due to a higher-than-expected tax charge, and many said that on an operating basis the company had done better than predicted. The figures followed higher-than-forecast results from rival Chrysler on Tuesday.

In the US, which has seen gradually improving demand for vehicles after the 1991 recession, Ford's car operations earned $148m, compared with a loss of $565m.

The main factors in the turnaround were improving sales volumes across the industry, leading to higher factory use and lower discounts to buyers.

In addition, Ford improved its share of the car and truck market, thanks largely to its revamped Taurus and Sable mid-sized cars and Explorer four-wheel drive vehicles. It also cut the proportion of its vehicles going to low-margin fleet buyers.

Outside the US, the motor business earned $65m, compared with a loss of $2m. However, Jaguar, the UK luxury car manufacturer Ford bought in 1989, lost about $70m, roughly the same as a year ago.

The group's overall results were also buoyed up by sharply lower interest rates and record earnings by its financial services business, which made $289m, up $46m from 1991, thanks to lower credit losses and higher net interest margins.

Mr David McCammon, Ford's treasurer, said the company expected profits to dip from the second quarter level in the third quarter, because of seasonal factors such as plant shutdowns to allow changeovers to new models.

For the six months, Ford reported net income of $640.3m, or $1.53 a share, compared with losses of $1.2bn, or $2.56 a share, a year ago on revenues which rose from $45.2bn to $51.4bn.

Ford of Europe, Page 17

Commerzbank rises 14.7%

By David Waller in Frankfurt

COMMERZBANK, the smallest of Germany's big three banks and the first to announce its figures for the first half of the year, yesterday reported group profits – excluding securities trading results – up 14.7 per cent to DM875m ($594m) in the half-year to end-June.

The bank said the demand for credit from its domestic customers had been "persistently brisk" during the six months and total lending volume rose 2.4 per cent to DM161.7bn.

Taking into account trading profits, total group profits rose 17.5 per cent to DM975m.

Reflecting a slight improvement in the interest rate margin, to 1.94 per cent across the group, net interest earnings rose 12.3 per cent to DM2.2bn.

Because of a weaker trend in securities transactions, net commission income fell 2.2 per cent to DM633m.

Mr Martin Kohlhaussen, chief executive, warned that because of difficult economic conditions the bank would probably have to make provisions for individual loan losses. The effect of the provisions would be countered by additional income from extraordinary profits, chiefly via share disposals, he said.

He said that the board was satisfied with the development of the bank's business so far during 1992, but declined to be drawn on whether the bank would increase its dividend for the year.

Commerzbank has a large exposure to Olympia & York, the ailing Canadian property developer. The total exposure is around DM560m, but Mr Kohlhaussen felt it was unlikely that the bank would lose any money. He cited the bank's particularly good security and added that he was heartened by a recent visit to the Canary Wharf project in London's docklands.

Mr Kohlhaussen gave no clue as to when the bank would be holding its rights issue, saying conditions now were unfavourable.

He also sought to damp speculation that the bank was discussing concrete proposals for a share-swap and co-operation agreement with Paribas of France.

Group expenses rose 6.5 per cent to DM1.99bn, of which the chief element was personnel costs, which rose 6.5 per cent to DM1.32bn reflecting higher wages and the costs of expansion into eastern Germany.

INTERNATIONAL COMPANIES AND FINANCE

Japanese retailer to absorb affiliate

By Robert Thomson in Tokyo

DAIEI, the rapidly expanding Japanese retailer, will absorb a troubled property affiliate, Nippon Dream Kanko, which reported consolidated losses of Y450m ($3.52m) last year following the sharp fall in land prices.

Mr Isao Nakauchi, the Daiei chairman famed for aggressive acquisitions, said his company would acquire Nippon Dream Kanko in a "spirit of equality" for a price expected to be set in October.

However, Daiei's rapid expansion has come as retail demand and property prices have fallen. The takeover of Nippon Dream is a sign that Daiei is under pressure.

Daiei recently agreed to acquire 34 per cent of Recruit, the business information and property group, and has built holdings in several other Japanese retailers.

Over the past few months, Daiei has shuffled shares *around its affiliates to raise* funds for the Recruit acquisition and reduce its own debt burden, but the complexity of the group structure has made unclear the true state of its financial position.

Nippon Dream, in which Daiei now holds 28 per cent, runs pachinko parlours, the Japanese version of pinball, and other leisure operations, as well as owning a large tract of land in Osaka hit by falling property prices.

In the past, such land holdings were valuable as collateral, but Japanese banks have become wary of their exposure to the weakening property market.

IBM confirms scheme to axe jobs

By Karen Zagor in New York

SHARES in International Business Machines firmed yesterday morning after the company admitted that at least 32,000 people would go in its job cutting plan this year, well above IBM's earlier estimates of 15,000 to 20,000.

Two thirds of the job losses would be in the US and the rest mainly in Europe.

Until the announcement on Tuesday, IBM had dismissed speculation that the number of job cuts would range from 40,000 to 60,000. Analysts now expect between 35,000 to 40,000 people to accept IBM's voluntary severance package.

Although the additional job cuts will cost IBM an extra $1.2bn, the news was well received on Wall Street where shares in IBM firmed $¾ to $94¾ yesterday morning.

IBM expects to take about $1bn in charges in the second half of this year, with the biggest impact to its third-quarter results. Analysts have estimated that charges related to the additional job cuts will reduce IBM's second-half earnings by about $1 a share.

IBM, which last year reported its first annual loss of $2.8bn after charges on sales of $64.8bn, said it would recoup these costs over the next 18 months through savings.

The company also indicated that changes were afoot at its personal computer division. In response to reports that its PC business would be turned into a wholly-owned subsidiary, IBM said it had been working to sharpen the focus of its PC operations, "and you will continue to see us change".

IBM would not comment about specific changes, but it has been working towards increasing the autonomy and accountability of its business units since December when it announced a restructuring of its worldwide operations.

Paribas plans domestic restructuring

By Alice Rawsthorn in Paris

PARIBAS, one of France's leading banks, is to restructure its domestic branch network involving 10 branch closures and the loss of 123 jobs.

The move reflects the general trend in the big French banks to rationalise their networks. The aim is to improve profitability in an intensely competitive market.

The rationalisation comes at a time when industrial relations in the French financial sector are becoming strained. There have been disputes at banks and insurance groups as trade unions try to resist cost-cutting programmes. The Paribas job losses, the first in the company's history, have provoked union criticism.

The rationalisation of the branch network forms part of the strategy developed by Mr André Levy-Lang, chairman, to refocus Paribas on its core interests in international investment banking. Paribas plans to close 10 branches in Paris and the provinces and to rationalise six other provincial branches.

Investment costs hit Siam Cement

By Victor Mallet in Bangkok

SIAM Cement, the Thai conglomerate and largest cement producer in the country, yesterday announced a fall in consolidated net profits to Bt2.62bn ($103.3m) in the first half of 1992 from Bt2.81bn a year earlier, although sales rose marginally to Bt26.02bn from Bt25.80bn.

The company blamed the fall in profits on heavy investment spending on new projects, including several embryonic petrochemicals plants. Consolidated earnings per share fell to Bt22.08 from Bt23.64.

By contrast the unconsolidated results – comprising the core business of cement and construction materials – showed a marked improvement. In the second quarter, net profits rose to Bt1.53bn from Bt1.04bn, giving first half profits of Bt2.54bn against Bt2.02bn and earnings per share of Bt21.21 against Bt16.85.

Cement output in Thailand is expected to exceed demand from 1993, but Siam Cement's margins are improving as it expands production facilities to supply the Thai cement market from abroad.

Although the construction sector's growth is likely to slow in the next few months, long-term demand for cement should be supported by the start of several big infrastructure projects in Bangkok.

Thai cement producers have also benefited from low energy prices and the falling cost of borrowing.

Siam Cement shares rose Bt10 to Bt520 on the Thai stock market yesterday.

● Siam Cement yesterday announced a joint venture with Furukawa Battery of Japan to produce car and motorcycle batteries in Thailand for the domestic market and for export to Japan, Europe and Australia.

CPF registers modest gain in quarter

By Victor Mallet

CHAROEN Pokphand Feedmill (CPF), the Bangkok listed agri-industrial and aquaculture company of the multinational CP group, yesterday announced a modest rise in second-quarter net profits to Bt293.08m ($11.56m) from Bt283.23m on barely changed revenue of Bt2.7bn.

First-half net profits amounted to Bt596.6m, in line with expectations, compared with Bt486.4m in the same period last year.

Half-year earnings per share rose to Bt4.97 from Bt4.05.

CPF has long been viewed with caution by foreign stock-brokers because of the complex links between the CP group's public and private companies, but it has disclosed tentative plans to simplify its entire structure by making CPF the core agri-industrial company and buying out minority shareholders of Bangkok Agro-Industrial Products and Charoen Pokphand Northeastern, CPF's two listed subsidiaries.

In the past three years CPF's sales of prawn feed and prawns have grown from nothing to reach two thirds of the company's consolidated turnover.

The business is vulnerable to price fluctuations and pollution, but margins are high.

LTV steel division remains in the red

By Martin Dickson in New York

LTV, the US steel group operating for five years under the protection of bankruptcy courts, has reported a sharp rise in second-quarter net income, thanks to a gain from the sale of a business. But its core steel operations remained mired in red ink.

LTV's income was $138.6m, or 95 cents a share, compared with $13.4m, or 5 cents, in the same period of last year. However, this was due to a $150m net gain on the sale of its AM General vehicle manufacturing business; without this it would have lost $11.4m. Sales totalled $1.53bn, down from $1.56bn.

The company said the results mainly reflected lower quarter-to-quarter steel selling prices and a decline in aerospace and defence operating income due to the AM sale, partly offset by higher missiles division sales and a *higher volume of steel* shipments.

The steel division had an operating loss of $28.4m, against $23.4m in the same period of last year. Sales rose 7 per cent to $947m and shipments were 8 per cent ahead at 1.88m tons.

The company said the loss was due to lower selling prices and higher employment costs, mainly from a new union contract.

The group's aerospace and defence business reported income of $22.4m, down from $37.4m, while energy products lost $2.9m, up from $2.5m.

For the six months LTV reported net income of $95.3m, or 62 cents a share, against a net loss of $32.9m, or 39 cents, while sales dipped from $2.99bn to $2.92bn.

Xerox net income climbs to $139m

By Martin Dickson

XEROX, the document processing group, yesterday reported a 10 per cent increase in second-quarter net income, helped by increasing shipments of new products and cost controls.

However, Mr Paul Allaire, the chairman, noted that "the weak economic environment in Japan and some European countries affected our overall performance".

Xerox reported net income of $139m, or $1.23 a share, compared with $126m, or $1.11 a share, a year earlier. Revenues rose 2 per cent to $4.5bn.

The document processing business saw a 9 per cent gain in income, to $133m, on operating revenues up 3 per cent to $3.6bn. Excluding currency factors, revenues were up 4 per cent.

Mr Allaire said equipment sales were up 6 per cent in the quarter, driven by new products. Gross margins and expense ratios had improved.

The company's insurance and financial services operations earned $49m, up from $43m, with interest and headquarters expenses cutting the total to $6m, up from $4m.

For the six months Xerox reported net income of $267m, or $2.35 a share, against $242m, or $2.12 a share, on revenues which rose from $8.7bn to $8.8bn.

US insurer rises in spite of catastrophe losses

By Nikki Tait in New York

USF&G, the large but troubled Baltimore-based insurer, yesterday managed a small $6m *profit* after tax in the three months to end-June, compared with a $56m loss in the same period a year earlier.

This followed an equally slender profit in the first quarter, and takes the insurer's net profits for the first half to $10m – sharply improved on the $111m loss seen a year ago. The second-quarter profit was scored after realised gains on investments of $6m. Investment gains in the first half also totalled $6m.

USF&G said net profits from its property-casualty business reached $52m in the second quarter, against a loss of $44m a year earlier. This was attributed to improved loss experience and a better mix of business – following decisions to pull out of certain markets and states.

The result came despite larger-than-expected catastrophe losses, including the recent hailstorms and tornadoes in Kansas and Oklahoma. These have plagued the entire US property-casualty insurance sector.

USF&G's life insurance business made a small $1m loss after tax in the quarter, compared with a profit of $11m in 1991.

The company blamed the result on lower sales, related "to the depressed nature of the single premium deferred annuity market".

Bethlehem Steel warning

By Martin Dickson

BETHLEHEM Steel, the second largest US steel manufacturer, yesterday reported increased second-quarter net losses and warned it expected to remain in the red in the third quarter.

The company reported net losses of $64m, or 92 cents a share, compared with $29m, or 46 cents a share, in the same period of last year, on net sales of $1.0bn, down from $1.1bn.

The results, which included a $25m litigation contingency charge, were in line with a previous warning by the company.

Bethlehem said it expected a moderate improvement in steel demand for the balance of 1992. An expected improvement in the economy, higher levels of steel demand and remedies against unfair steel imports should provide opportunities for improved results later this year and in 1993, it added.

Eastman Kodak climbs in quarter

STRONG June sales were behind a small improvement in second-quarter profits at Eastman Kodak, the US photographic products group, agencies report from Rochester.

Net income was $361m, or $1.11 a share, against $357m, or $1.10, in the same period last year. This brought net income for the first half to $506m, or $1.56 a share, against $535m, or $1.65, a year earlier.

Fully diluted earnings per share were $1.51 against $1.64 for the half-year and $1.06 against $1.09 for the latest quarter. First-half sales totalled $9.75bn against $9.52bn last year with the second quarter generating $5.27bn, compared with $5.03bn.

Mr Kay Whitmore, chairman, said he was confident that sales and earnings would be higher for the full year.

Compaq to sell equity stake

By Martin Dickson

COMPAQ Computer, the US computer manufacturer in the throes of a strategy change, is selling its 20 per cent equity stake in Conner Peripherals back to Conner for some $241m.

Compaq will book a pre-tax gain of about $80m on the transaction and plans to use the proceeds to speed up its own share repurchase plan. Conner will retire the shares, which will boost the group's earnings per share.

Compaq made a $6m investment in Conner when the computer peripherals group was founded in 1986 and made an additional $6m investment later that year. Conner will buy Compaq's 11.6m shares for $20¾ each.

Mr Eckhard Pfeiffer, Compaq's chief executive, said he expected the company's strong strategic relationship with Conner to continue.

Dofasco losses grow to C$73m

DOFASCO, Canada's biggest steelmaker, reduced operating losses in the second quarter, but after special restructuring charges it reported a final loss of C$72.6m (US$60.5m), or 92 cents a share, against a loss of C$31.3m, or 47 cents, a year earlier, writes Robert Gibbens.

Sales were C$549m against C$557m. Before the special items totalling 81 cents a share after tax, the operating net loss equalled 11 cents a share against 31 cents.

The domestic market for flat rolled steel remains weak, Dofasco said, and imports are running abnormally high.

The first-half loss was C$96.9m, or C$1.23 a share, including the special charges, against a loss of C$26.8m, or 40 cents a share, a year earlier. Sales were little changed at C$1bn.

Endesa ahead at Pta54bn

EMPRESA Nacional de Electricidad (Endesa), Spain's state-controlled electric utility, lifted net consolidated profit by 17 per cent to Pta53.5bn ($568.8m) in the first six months of 1992 from Pta45.8bn in the same period the previous year, AP-DJ reports.

Earnings per share advanced to Pta205.74 from Pta176.1. Revenues for the period went ahead to Pta356.3bn, against Pta341.8bn.

The group's capital expenditures climbed 2.2 per cent to Pta32.49bn, against the first half of 1991, but financial investments fell 79 per cent to Pta12.08bn.

Endesa said financial investment was unusually high in the first half of 1991, when Endesa acquired an 85 per cent stake in the electricity producer Electra de Viesgo.

NZ electricity group edges up

ELECTRICITY Corporation of New Zealand yesterday announced a rise in net profits to NZ$407m (US$222m) for the 12 months to March 31, up from NZ$404m a year earlier, writes Terry Hall in Wellington.

However, it warned that profits would fall in the current year: a severe drought in the South Island is affecting hydroelectricity lake levels.

Mr Rod Deane, chief executive, said savings were anticipated this year, but these would be offset by interest and depreciation of NZ$100m relating to its Clyde dam and Cook Strait cable projects.

Another uncertainty facing the group was that the government may sell its Transpower subsidiary. Further uncertainties related to pricing.

BAT Industries up 55% on reduced mortgage losses

By Andrew Bolger in London

REDUCED mortgage indemnity losses helped BAT Industries, the tobacco and financial services group, increase pre-tax profits by 55 per cent to £645m ($1.24bn) in the six months to June 30. Group revenue rose 5 per cent to £9.42bn.

Eagle Star, the group's insurance subsidiary, which has been hit heavily by UK domestic mortgage losses, cut its first-half loses from £175m to £47m.

The improvement in Eagle Star's general business allowed the group to use more advance corporation tax, cutting its tax rate from 57 per cent to 42 per cent.

Earnings per share more than doubled to 22.9p and the interim dividend was lifted by 9 per cent to 14.6p.

Sir Patrick Sheehy, chairman, said the dividend increase was in line with BAT's commitment to sustained dividend growth in excess of inflation, and was a rate he expected to be at least maintained.

The group said the 6 per cent increase in tobacco's trading profit to £475m reflected good performance in most domestic and export markets. Export volumes grew 20 per cent.

Trading profits from BAT's financial services businesses jumped to £252m from £83m. Farmers – the group's US arm – increased its contribution from £168m to £204m.

During the second quarter, BAT said Farmers had become the fourth largest property and casualty insurer in the US.

Sir Patrick said the sustained improvement in Eagle Star's underwriting performance was especially encouraging, and had been aided by fair but rigorous claims handling procedures.

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Vaccine makers set up unit in Europe

By William Dawkins in Paris

PASTEUR Mérieux Serums et Vaccins, the world's biggest supplier of vaccines and the vaccine unit of Merck of the US, another leading producer, have agreed to set up a jointly owned European subsidiary.

This is the latest in a series of international alliances in the vaccines industry, as national companies join forces to pool technology to create multiple vaccines, capable of immunising against several diseases at once.

No single national group owns enough antigens – proteins which stimulate the production of antibodies – to make a good all-in-one inoculation.

The pair will concentrate on developing multiple vaccines for the European market, "to obtain, with a simplified vaccination timetable, better immune cover against a bigger number of illnesses," they said.

They have signed a letter of intent for an equally owned subsidiary to promote their vaccines and other human health products and seek other alliances across Europe.

If accepted by the European Commission's anti-trust authorities, the new company should be in place by the end of the year, said a joint statement.

Institut Mérieux, the vaccine group's parent, was one of the first in the current round of alliances, with its takeover three years ago of Connaught, the Canadian vaccine group, which turned it into the world's biggest supplier.

At the turn of this year, the French group's vaccines unit signed a letter of intent with Merck to co-operate on developing and marketing combined childhood vaccines in the US.

Institut Mérieux, majority owned by Rhône-Poulenc, the French state-owned chemicals group, is the world's leading human and animal biology group, while Merck is the leader in human and veterinary pharmaceuticals.

Weak halfway results at Statoil

By Karen Fossli in Oslo

STATOIL, the Norwegian state oil company, yesterday revealed a drop in half-year net profit to NKr1.7bn ($291m) from NKr2.4bn last year, and warned that for the year as a whole net profit will be below the NKr4.196bn for 1991.

Lower oil prices, weaker refinery margins and "extremely" low prices for petrochemicals products contributed to the weaker six-month performance, Statoil said.

"We are clearly not satisfied with the result and are looking at measures to cut costs and reduce investments to adjust to a weaker market," said Mr Morten Woldsdal, a Statoil executive.

Group operating profit at the half-year fell to NKr7.1bn from NKr7.6bn last time as operating revenue advanced by NKr2bn to NKr40bn.

Second quarter net profit dipped by NKr47m to NKr861m while operating profit rose by NKr800m to NKr4.2bn. Operating revenue increased by NKr2bn to NKr40bn.

Statoil also complained that a higher 1992 tax burden was unlikely to be offset by high oil production and cost reductions.

For the individual business units, exploration and production saw half-year operating profit dip NKr1bn to NKr4.9bn due to low oil prices.

The natural gas division's operating profit rose NKr200m to NKr2.1bn thanks to higher volumes of gas transported. Refining and marketing operating profit was slashed by NKr279m to NKr471m, hit by lower margins and weaker shipping operations in a depressed tanker market.

Petrochemicals and plastics, the group's worst performer, plunged to an operating loss of NKr172m from a profit of NKr100m last year due to a "deep" recession affecting the petrochemicals industry, Statoil said.

Statoil warned that results for refining and petrochemicals would be lower this year.

Provision warning from Hafslund

By Karen Fossli

HAFSLUND Nycomed, Norway's second biggest listed company, yesterday reported a 40 per cent increase in half-year pre-tax profit to NKr757m ($130m), but warned of a "relatively large" provision in the third quarter.

Mr Oeyvind Broeymer, vice-president of finance, said the company had granted a NKr100m mortgage loan in connection with the 1990 disposal of Hafslund Metall, acquired by the Ila Lilleby group, a small domestic ferro silicon producer.

Hafslund also maintained a put option to transfer 33 per cent of the subsidiary's shares to Ila.

Mr Broeymer said there was little equity left in Ila Lilleby because of huge losses suffered in the past two years due to weak ferro silicon prices. The company might find it difficult to repay outstanding debt on the Hafslund loan and acquire the remaining shares of Hafslund Metall.

Negotiations are under way with Den norske Bank and Fokus Bank, Ila's two main creditors, but a relatively large loan loss provision will most likely be made n the third quarter, Hafslund said.

Apart from this development, Hafslund said prospects for 1992 as a whole were favourable.

Group half-year operating profit rose by NKr133m to NKr842m as operating revenue increased 13 per cent to NKr2.907bn, including royalties of NKr289m.

Ford of Europe turns in $24m profit

By Kevin Done in London, Motor Industry Correspondent

FORD of Europe achieved a net profit of $24m in the second quarter of the year, compared with a loss of $75m in the corresponding period a year ago.

The pace of the company's financial recovery in Europe remains slow, however, following a net profit of $84m in the first quarter which compared with a loss of $129m in the same period of 1991.

Ford said Jaguar, its troubled UK luxury car subsidiary, suffered a loss of around $70m in the second quarter, virtually unchanged from a year ago. Jaguar made a loss of $80m in the first quarter compared with a loss of $130m in the same period a year ago.

Ford of Europe's automotive operations, including Jaguar, slumped to a net loss in the whole of last year of $1.079bn from a net profit of $145m in 1990 and a profit of $1.19bn in 1989.

The company said that Ford of Britain – now excluding Jaguar, where ownership was transferred last year to the US parent company – had achieved a small profit in the second quarter as in the first quarter, after running up record losses in the whole of last year.

Ford of Britain's financial performance improved thanks to higher production volumes, cost reductions and in particular lower marketing costs.

Ford said its marketing costs across Europe were virtually unchanged from a year ago, however.

Costs in the UK have been reduced "substantially" by a cut in sales to the daily rental fleets and and through reduced dealer stocks, but this has been offset by higher marketing expenditure in Germany, where competition is becoming more fierce as the market declines.

Ford has lost market share in the west European car market this year largely through the weakness of its ageing Sierra large family car range.

It hopes to boost its fortunes early next year, however, with the launch of the new generation Sierra as well as a redesigned Escort/Orion later this year.

In 1993-94 it is planning to export two new product ranges from the US to Europe, the Probe sports coupé and the Explorer four-wheel-drive leisure utility vehicle, while sales are also due to start next year of another four-wheel-drive leisure utility vehicle to be produced for Ford in Spain by Nissan.

Earnings at BT tumble 27.8%

By Roland Rudd in London

BRITISH Telecommunication's first-quarter pre-tax profit fell by 27.8 per cent after bigger than expected redundancy costs and a loss from the sale of its controlling stake in Mitel, the troubled Canadian telephone equipment maker.

For the three months to June 30 BT's pre-tax profit fell from £825m to £596m on sales of £3.27bn ($6.27bn), down from £3.34bn. It was the first quarter-on-quarter decline in turnover since the company was privatised in 1984.

An exceptional charge of £135m relates to the loss made on the disposal of its interests in Mitel, International Aeradio, its aviation services subsidiary, and Sharelink, the Birmingham-based stockbroking group.

Operating profits fell from £920m to £799m. They were further depressed by redundancy charges of £56m due to the early retirement of 29,000 people – 9,000 more than expected – under BT's voluntary release scheme.

A further £11m attributable to the restructuring of management has been set against the provision established in 1990 for this purpose.

News of the redundancies overshadowed BT's disappointing trading performance.

The number of inland calls fell by 3 per cent quarter on quarter. Revenue from international calls rose by 3 per cent, on a 12-month moving average basis, but this was due more to international calls being routed through London than an increase in people making calls from the UK.

Mr Iain Vallance, chairman, said: "The decline in turnover reflects the continued pressures of the economy, regulation and competition."

The Office of Telecommunications, the regulator, has told BT to cut the price of a basket of its basic services each year by inflation minus 7.5 percentage points, compared with 6.25 points at present.

Strong first-quarter cash flow, free of dividend or tax payments, cut net debt by £715m to £1.79bn, representing 17 per cent gearing.

Earnings per share fell from 9p to 5.6p.

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Lasmo's advance confounds critics

LASMO, the UK independent oil company, yesterday confounded its critics by maintaining its interim dividend and showing a substantial increase in profits in its first results since the £1.1bn ($2.1bn) takeover of rival oil company Ultramar last December, writes Neil Buckley in London.

Pre-tax profits for the first six months of 1991 increased more than five-fold to £72m, compared with £13m in the same period in 1991 – although the company effectively doubled in size with the integration of Ultramar.

Profit after tax was £26m – well above analysts' forecasts of between a £10m profit and a £10m loss.

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Dutch retailer in venture with Portuguese group

By Ronald van de Krol in Amsterdam

AHOLD, the Netherlands-based food retailer which is active mainly on the Dutch and US markets, is to enter southern Europe for the first time through a joint venture with the owners of Portugal's Pingo Doce chain of supermarkets.

The Dutch company will pay Es7.7bn ($60m) for a 49 per cent stake in the joint venture, while Jeronimo Martins, the stock exchange-listed Portuguese food producer and retailer which has owned the Pingo Doce chain since 1978, will own the remaining 51 per cent stake.

The two partners are to have equal voting rights in the new company, with key management decisions to be taken by unanimity.

Jeronimo Martins operates 40 Pingo Doce supermarkets across Portugal, generating annual sales of Es49bn.

First half rise for Union Bank of Switzerland

By Ian Rodger in Zurich

UNION Bank of Switzerland said in a preliminary interim statement that business in the first half of 1992 developed positively both for the parent bank and the group, compared with the same period in 1991.

But the bank, Switzerland's largest, said business had slowed in recent months because of the slow economic recovery and the caution investors were showing in forex and securities markets.

Group cash flow was up and off balance sheet business made a much stronger contribution to income growth than interest related operations.

Total assets of the parent bank at the end of June stood at SFr201.98bn ($154.95bn) against SFr199.67bn at the end of March. UBS said it would publish for the first time a full consolidated interim statement at the end of August.

INTERNATIONAL CAPITAL MARKETS

Long bond surrenders earlier advances

By Karen Zagor in New York and Sara Webb in London

THE benchmark 30-year US government bond yesterday morning briefly hit a high for the year before giving up all of its gains in afternoon trading as profit-taking and an unimpressive five-year note auction took their toll on prices.

GOVERNMENT BONDS

In late trading, the long bond eased $\frac{1}{32}$ to 106⅝, yielding 7.435 per cent after soaring to 107$\frac{7}{32}$ in morning trading on top of its one-point gain on Tuesday.

Movement was less dramatic at the short end of the yield curve, where the two-year note was quoted $\frac{1}{32}$ higher to yield 4.25 per cent after adding about ⅛ at mid-day.

The long end of the yield curve led the market through most of the day, reflecting the long bond's renewed popularity with investors after several weeks of lagging shorter-dated maturities.

The morning excitement was generated by Tuesday's consumer confidence report, which fell to 61.0 in July from 72.6 the previous months. Although most analysts had expected a modest decline in the index, the larger-than-expected drop prompted renewed speculation that interest rates might fall even further.

However, a disappointing auction of $10.51bn in five-year notes depressed prices. Although the average yield was in line with expectations at 5.56 per cent, there was some surprise that 45 per cent was allocated at the 5.57 per cent stop rate.

Enthusiasm was dampened by forecasts of a drop in initial US jobless claims of about 11,000 for the week ended July 18.

The Federal Reserve refrained from operating in the open market. Fed Funds were quoted at 3$\frac{5}{16}$ per cent in late trading.

■ THE Italian government bond futures contract tumbled late in the afternoon following news that Mr Vicenzo Scotti, the Italian foreign minister, had resigned.

The Italian bond market, which had witnessed a relatively quiet day until the resignation announcement, was likely to remain in a volatile state, dealers warned. The futures contract traded in a range of 92.60-92.85, but fell back to 92.15 on the news.

■ THE UK government bond market is continuing to focus on funding concerns as speculation mounts over when the Bank of England will announce its next auction of stock.

Dealers believe the Bank will make an announcement by Friday week, targeting either the far end or the medium area of the gilt market.

The money supply figures released yesterday showed a significant pick-up in overseas buying of gilts in June, leading to speculation that the Bank could choose a 10-year auction stock as this maturity is more likely to appeal to foreign investors. Net sales to overseas investors jumped from £378m in May to £726m in June. Net sales to domestic investors fell from £2.7bn to £936m.

The futures market ended little changed with the Liffe contract, which opened at 98.02, trading at 98.03 by late afternoon. In the cash market, long-dated gilt prices drifted lower with the 9 per cent gilt due 2008 falling from 100¾ to 100$\frac{19}{32}$.

■ FRENCH government bonds saw a sharp sell-off on fears about the referendum on the Maastricht treaty. Most of the losses were recouped by late afternoon, and the Matif futures contract ended at 105.48 after opening at 105.40.

The futures contract had fallen as low as 105.18, but dealers described the sell-off as rather exaggerated.

■ GERMAN government bonds opened on a weak note and moved in a narrow range with the Liffe bund futures contract trading between 87.22 and 87.40. The futures contract ended at 87.37, slightly up on Tuesday's close.

■ JAPANESE government bonds rallied early yesterday, but the gains were wiped out by profit-taking later on. This left the cash and futures markets slightly lower on the day.

The market opened on a firm note, helped by the strength of the US Treasury bond market overnight. The benchmark No 129 JGB opened with a yield of 4.87 per cent, moving to 4.865 per cent before closing in Tokyo at 4.905 per cent.

In the futures market, the September contract climbed from its opening of 105.15 to a high of 105.23, but later fell back to close at 105.06 on reasonably high volume.

Short-term interest rates continued to slip, with the rate on three-month certificates of deposit nudging down from 4.03 per cent to 4.00 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	111.1656	+1.299	8.35	8.70	8.80
BELGIUM		9.000	06/01	100.1500	-0.050	8.97	8.95	8.88
CANADA *		8.500	04/02	107.2300	+0.200	7.44	7.76	8.16
DENMARK		9.000	11/00	97.7000	-0.300	9.39	9.27	9.06
FRANCE	BTAN	8.500	03/97	96.5655	-0.018	9.42	9.35	8.97
	OAT	8.500	11/02	96.3500	+0.110	9.04	9.01	8.76
GERMANY		8.000	01/02	99.4250	+0.045	8.07	8.10	8.04
ITALY		12.000	05/02	92.1700	-0.075	13.91†	13.90	13.16
JAPAN	No 119	4.800	06/99	99.1779	+0.356	4.96	5.17	5.50
	No 129	6.400	03/00	108.4319	+0.058	4.89	5.07	6.28
NETHERLANDS		8.250	02/02	99.1300	+0.070	8.37	8.39	8.30
SPAIN		11.300	01/02	94.3300	-0.195	12.31	12.60	11.66
UK GILTS		10.000	11/96	102-00	-04/32	9.41	9.31	9.28
		9.750	08/02	104-00	-07/32	9.13	9.09	9.19
		9.000	10/08	100-16	-08/32	8.94	8.92	9.01
US TREASURY *		7.500	05/02	106-10	-	6.61	6.86	7.11
		8.000	11/21	107-10	+21/32	7.39	7.66	7.77
ECU (French Govt)		8.500	03/02	94.1500	-0.200	9.44	9.38	8.92

London closing *New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Thai banks report large gains in earnings

By Victor Mallet in Bangkok

THAI banks, profiting from increased spreads between their cost of funds and returns on lending, have reported sharply higher earnings in the first half of 1992.

Net profits for Bangkok Bank, the country's largest, rose 45 per cent in the first six months to Bt4.86bn ($192m) from Bt3.36bn in the same period last year.

Total income was Bt37.53bn, against Bt37.25bn while interest expenses fell to Bt21.76bn from Bt25.23bn, and operating expenses rose to Bt8.47bn from Bt6.76bn.

Earnings per share rose to Bt4.86 from Bt4.2.

The biggest half-year increase so far was at Krung Thai Bank, whose net profits jumped 123 per cent to Bt1.12bn from Bt502m. Earnings per share rose to Bt8.3 from Bt5.2.

Thai Military Bank (TMB), the subject of a half-hearted boycott campaign following the killing of more than 50 pro-democracy demonstrators in May because it is one-third owned by the armed forces, reported a 60 per cent rise in net profits to Bt757m from Bt473m, with earnings per share up to Bt22.79 from Bt16.32.

TMB is expanding in the region and is planning to double its share capital to Bt7bn to support new ventures in China, Indochina, Burma and the US.

Siam Commercial Bank's net profits rose 64 per cent to Bt1.92bn in the first half from Bt1.17 and earnings per share increased 26 per cent to Bt50.5 against Bt40.3.

Thai Farmers Bank, whose aggressive pursuit of market share has worried some investors, reported a rise in net profits of more than 50 per cent to Bt2.39bn from Bt1.57bn, while earnings per share rose 16 per cent to Bt34.08 from Bt31.47.

Bank of Ayudhya's net profit rose 48 per cent to Bt1.16bn from Bt784m, with earnings per share up 11 per cent to Bt2.91 from Bt2.61.

Italian bourse legislation may need revision

By Haig Simonian in Milan

ITALY'S recently adopted stock exchange rules, might need revision, Mr Piero Barucci, the new treasury minister has suggested. The rules were brought into effect over the past 18 months to modernise equity trading.

The bourse legislation – concentrated in last year's law creating the Societa di Intermediazione Mobiliare (Sim) as Italy's new form of broking and fund management hybrid – has been criticised domestically and by some of Italy's Community partners.

The European Commission has been in contact with the Rome authorities following complaints from some member states that the Sims law, which obliges brokers trading certain types of securities to set up an office in Italy, conflicts with EC rules on free competition.

Mr Barucci admitted it might be necessary to modify "some points" of the legislation to bring it in line with EC practice or to change regulations in accordance with experience on the bourse since its introduction.

In a message to parliament, he indicated his preference for a simplification of the supervisory and fiscal structure covering equity trading where these were deemed to be prejudicial to the growth of a lively equity market.

Italy's stockbrokers are being squeezed by a drop in turnover and rising costs, and they have complained bitterly about aspects of the new legislation which they say have greatly increased the regulatory burden they have to meet.

● The new clearing and guarantee body for share trading on Italy's expanding screen-based dealing system should start operations by the middle of next month.

The new organisation will act as a clearing house for the country's long-awaited government bond futures market.

Cumulative losses of $358m in swaps market

By Tracy Corrigan

CUMULATIVE losses in the swaps market total $358m, or 0.115 per cent of the notional principal amount of swaps outstanding, according to a survey released yesterday by the International Swap Dealers Association.

The survey was conducted among ISDA members, who account for about 70 per cent of the $4,300bn swaps market.

"More than 90 per cent of the swap transactions in the portfolios surveyed were with investment grade counterparties. This confirms the traditional high credit quality of swap counterparties," said Mr Akira Watanabe of Mitsubishi Bank, vice-chairman of the association.

UK local authorities were the source of almost 50 per cent of the $358m of net losses.

Other categories of counterparties representing net losses were companies (26 per cent), non-dealer financial institutions (17 per cent), and US savings and loans institutions (6 per cent).

The report provided added ammunition for the association's fight in the US against attempts to move over-the-counter swaps and options business on to regulated exchanges, and bolstered ISDA's argument against calls for greater regulatory control of over-the-counter derivatives business.

Some bank regulators have expressed concern that over-the-counter derivatives business *is increasing the level of* risk undertaken by banks.

ISDA pointed out that losses in the swaps market compare favourably to other types of credit losses.

Arab Banking Corp rises 14%

By Mark Nicholson, Middle East Correspondent

ARAB Banking Corporation (ABC), the Bahrain-based bank, has announced a 14 per cent rise in pre-tax profits to $65m for the first six months.

The group's assets rose 2.5 per cent to $20.1bn, while deposits rose to $16.9bn from $16.2bn, with customer deposits rising 7.7 per cent to $10.6bn as interbank deposits remained steady at $6.3bn. Loans and advances rose 10 per cent to $11.1m.

ABC last year turned in pre-tax profits of $90m after reporting losses of $47m the preceding year – due to the effects of the Gulf war.

Mr Abdulla Saudi, president and chief executive, said interest income rose to 64 per cent of earnings from 60 per cent.

EIB launches DFl 500m FRN offering

By Tracy Corrigan

IN an otherwise quiet session in the Eurobond market, the European Investment Bank launched a DFl500m offering of floating rate notes via Rabobank. Dealers said the issue was targeted at Italian investors, for whom EIB paper is tax-exempt. The notes pay 60 basis points less than the three-month Amsterdam interbank offered rate.

INTERNATIONAL BONDS

According to traders, there was little demand for the paper in the Netherlands, where floating-rate notes are not a favoured investment, as most institutional investors were keen to ensure fixed returns.

In the Euroyen sector, Mazda, the Japanese car company, launched two offerings totalling Y30bn.

Elsewhere, Swiss Bank Corporation is to tender for up to $150m of outstanding New Zealand Eurobonds. The 8 per cent bonds due 1997 were issued in April 1987 and are believed to be held largely by European retail investors. The price of the tender, which starts today and runs until Friday, will be fixed initially at 48 basis points above the 6⅞ per cent US Treasury due 1997, but may vary during the tender period. At current market levels, the indicated tender price is 107.10.

SBC has tendered for Commonwealth of Australia and Australian Wheat Board Eurobonds. An official said the bank would either hold the bonds on its own account, or sell them to investors.

● Banque Paribas, France's fifth largest bank ranked by assets, has had its long-term debt rating lowered from AA to AA- by IBCA, the European credit rating agency. The agency cited Paribas's exposure to difficult markets, such as French real estate, predicting that "loan loss provisions are bound to remain high". However, the agency added that the bank should be able to keep up its revenue stream.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
GUILDERS						
EIB(c)††	500	(c)	100.31	2002	20/10	Rabobank Nederland
YEN						
Mazda Motor Corp(a)††	20bn	(a)	100.15	1996	0.30bp	Daiwa Europe
Mazda Motor Corp(b)††	10bn	(b)	100.15	1996	0.30/0.20	Banca Del Gottardo

††Private placement. §Convertible. ‡With equity warrants. ¶Floating rate note. †Final terms. a) Coupon pays 3 month Yen Libor plus 0.275%. b) Coupon pays 3 month Libor plus 0.275%. c) Coupon pays 3 month Amsterdam interbank offered rate less 60bp. Call option after 5 years at par.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 29

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	60	17
Other Fixed Interest	1	11	3
Commercial, Industrial	305	196	938
Financial & Property	213	64	516
Oil & Gas	20	11	55
Plantations	0	0	9
Mines	46	16	87
Others	69	23	49
Totals	658	381	1,674

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

LIFFE EQUITY OPTIONS

TRADITIONAL OPTIONS

● First Dealings July 20
● Last Dealings Aug. 1
● Last Declarations Oct. 15
● For settlement Oct. 26

3-month call rate indications are also shown on this page. Calls in Barratt Devs., Premier Cons., Ladbroke and Medeva. Put and call in In Owners Abroad. Put and call in Premier Cons.

TRADITIONAL OPTION 3-month call rates

COMPANY NEWS: UK

Acquisitions shift balance towards Continent and specialisation

Expanded David S Smith declines to £15m

By Maggie Urry

DAVID S Smith, the UK's largest paper maker which has expanded its packaging interests, suffered a 36 per cent drop in pre-tax profits, from £28.9m to £15.4m, in the year to May 2.

However, the fall was only 5 per cent to £24.1m (£25.3m) before exceptional costs of £8.7m (£1.4m). These related mainly to redundancies and other reorganisation expenses related to rationalisation of a number of production facilities.

The figures were slightly better than the market had expected and the shares rose 4p to 264p.

The company acquired Kaysersberg Packaging of France on April 1. The total consideration for this and some other smaller acquisitions during the year totalled £177.3m. They contributed £17.5m to sales of £361.5m (£363.5m) and about £1.5m to operating profits of £22m (£31.3m).

Mr Peter Williams, who became chief executive in May 1991, said the acquisitions had shifted the balance of Smith's business to continental Europe and specialist packaging, rather than commodity product areas.

The acquisitions, financed largely by a £50.7m rights issue at 295p in May last year and a £97.4m placing at 288p in January this year, greatly increased the company's size – thus reducing its dependence on the future of its Kemsley mill.

Kemsley, acquired in 1989, has absorbed considerable capital expenditure. It will not be fully on stream until autumn 1993. Kemsley was a "tremendous opportunity," Mr Williams said, but had been a drag on the company, costing about £6m at the operating level as well as requiring heavy spending.

Mr Williams said he was reasonably satisfied with the results, considering the difficult trading conditions. Prices for corrugated packaging had fallen and volumes were weak. He hoped there might be some recovery coming, partly because some competitors had announced capacity closures.

Capital expenditure during the year was £21.7m (£15m). But Mr Williams said the figure would probably more than double this year as spending on Kemsley peaked.

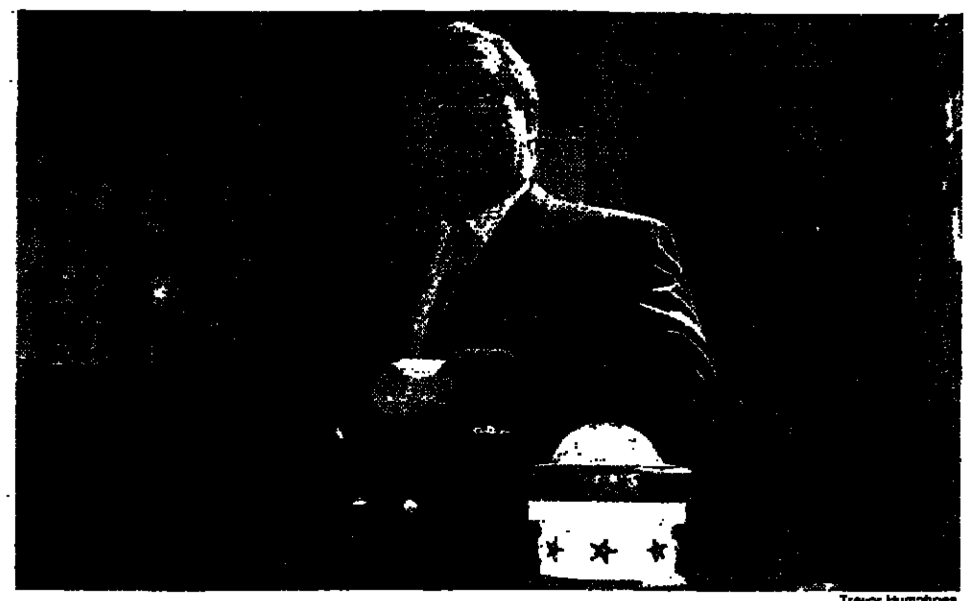
Shareholders' funds had risen from £118.2m to £204.2m, mainly because of the share issues, and net debt had increased from £25.5m to £46.1m.

Interest receivable of £2.1m compared with £6m payable.

Earnings per share were 11.5p (23.3p) and the promise of a 6.75p final dividend made with the placing is being kept, to give an unchanged total of 9.5p.

● COMMENT

Under new management, Smith is continuing some of its past characteristics – rapid expansion through acquisition and plenty of share issues. Fortunately the story the management has to tell has, if anything, improved. Hopes for Kemsley are high, especially as on current progress it should be ready to enjoy the economic upturn when it finally comes. Meanwhile, the Kaysersberg deal should provide a boost to profits and earnings this year, although there will be an interest charge too. Profits should jump to £33m, giving a p/e of 13, and leap again the following year, with the multiple coming down to about 10. The company's amazingly loyal shareholders can now see their reward on the horizon, although even they may get a little restless when the price rises to the rights issue level.



Trevor Humphries

Peter Williams: capital expenditure would probably more than double this year

Jobs warning as Scholey retires from British Steel

By Andrew Baxter

SIR ROBERT Scholey brought down the curtain yesterday on his 47-year career in the steel industry with a warning that British Steel could reduce its costs further and would emerge from the recession "as sharp as a knife."

Speaking at his last annual meeting as chairman of the struggling UK steel maker, Sir Robert said: "We shall shrink not in terms of tonnage produced but in terms of labour costs. The days when steel could be seen as a large employer of people are over."

His statement coincided with the announcement that British Steel had signed a definitive agreement with Avesta which will lead to the merger of the Swedish stainless steel producer and virtually all British Steel's stainless operations.

Preliminary agreement on the deal, which creates a new force in the world stainless industry, was announced on June 29.

Yesterday, Sir Robert said such strategic alliances were necessary in Europe, "and most probably a requirement on a more global basis, and will, I believe, go a long way to resolving the current problems of the world steel industry."

His warning of further job cuts echoed the company's position when it announced – also on June 29 – its £55m pre-tax loss for 1991-92. The workforce was cut by 7,000 during the year to 44,800, and, with the closure of Ravenscraig in Scotland and concentration of hot rolled coil production in South Wales, is expected to dip below 42,000 by the end of the current financial year.

Sir Robert regretted that his last AGM came at a time when trading conditions were so difficult.

He will be replaced as chairman by Sir Alistair Frame. The outgoing chairman paid tribute to two British Steel directors who are also retiring, Mr Frank Fitzgerald and Sir Derek Birkin.

See People

Non-core businesses behind 5% fall at Lloyds Abbey Life

By John Authers

LLOYDS ABBEY Life, the life assurance group, yesterday announced a 5 per cent fall in profits before tax, from £149.5m to £142m, in the first half of the year. Several group businesses were severely affected by the depressed housing market.

Earnings per share declined from 15.9p to 13.9p, and the interim dividend is maintained at 6.3p.

Sir Simon Hornby, chairman, pointed out that results were weakest in the non-insurance areas of the business, making an increase in the final dividend unlikely.

The share price fell, against the market trend, from 355p to 345p, after 340p.

Mr Alan Richards, analyst at James Capel, pointed to particularly disappointing results from the German subsidiary, where sales of £6.4m compared with £15m previously.

He was also disappointed by the results of Abbey Life, the direct sales force-led life company, where regular premium sales dropped 5 per cent, and single premiums rose by 9 per cent.

Lloyds Bowmaker, the finance company, saw pre-tax profits decline to £4m (£15.6m) after increased bad debt charges of £55m (£46.3m). It was particularly affected by first and second mortgages.

Commission and fee income at the Black Horse Agencies chain of estate agents fell from £36.7m to £33m.

However, the core business of selling insurance products to Lloyds Bank customers maintained growth.

Black Horse Financial Services, which sells life and pension products, increased pre-tax profits to £51m (£38.7m) and Lloyds Bank Insurance Services, which sells general insurance, increased its contribution to £26m (£25.6m).

In March the group disposed of its Irish insurance subsidiary for its book value of £20.6m.

Sir Simon said yesterday: "Selling life assurance and general insurance products to customers of Lloyds Bank remains very much at the heart of our strategy and again we have achieved an increase in sales in both areas. The development of our bank related life business and that of Abbey Life, together with effective cost control in all of our businesses, are still our top priorities."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BAT Industries ....int	14.6	Oct 15	13.4Ж	-	33.6
Colorvision ....fin	2.5	Sept 23	3.1	8.1‡	5.6
Flem Emerging ....fin	1.2	Oct 23	-	1.2	-
Lasmo ....int	2.3	Oct 5	2.3	-	8.5
Llyds Abbey Life ....int	6.3	Oct 9	6.3	-	17.3
Misys ....fin	3.83†	Oct 5	3.51	6.1	5.67
Smith (David S) ....fin	*6.75†*	*Oct 1*	6.75	9.5	9.5
Telegraph ....int	4.5	Sept 16	-	-	-
Verson Intl ....fin	nil	-	0.7	nil	1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ЖPro-forma. ‡For 18 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Ansbacher (Henry), CIA, Continental Assets Trust, Cowie (T), European Assets Trust, Freeman, Harrisons & Crosfield, Hepworth, Hotspur Inv, ICI, Jacobs (John I), Life Sciences Intl, Midland Bank, Thornton Asian Emerging Markets.

Finals- Dale Electric, Jersey Phoenix Trust, Saville (J) Gordon, Templeton Emerging Markets, Unitech.

FUTURE DATES

Interims-	
Clarke Foods	Aug 3
Marley	Aug 19
Riva	July 31
Vinten	Sep 3
Williams Hldgs	Sep. 3
Finals-	
Alliance Resources	Aug 7
Crown Eyeglass	Aug 11

Rodime halves loss to $644,000

By Peter Pearse

RODIME, the one-time pioneer of 3½-inch hard disk drives, more than halved its pre-tax losses from $1.49m to $644,000 (£337,000) in the six months to March 31 and announced that trading in its shares, suspended in August at 4p, would be resumed today.

Once a disk drive manufacturer which never achieved critical mass and was spread over three continents, the company has metamorphosed into an intellectual property company, deriving its revenues from the licensing of its patents. This stems from late 1990 when IBM paid Rodime an out-of-court settlement of about $13m.

Mr Malcolm McIver, non-executive chairman, said that Rodime's aim was to restore shareholder value. It had:

- to dispose of its assets successfully. It has still to receive $4.4m, mainly from the sale of the factory in Boca Raton, Florida, from an expected $16.9m;
- to achieve new licensing agreements. At 15, it has so far come to terms with less than half of all the companies which have infringed its patents;
- to renegotiate certain obligations of its subsidiaries which it had guaranteed;
- to maintain the support of its bankers. Rodime's total liabilities stood at $30m at June 1992, against $63m in October 1990.

Mr Peter Bailey, managing director and one of only five full-time employees, said that in the year to September 1991 revenues from patent licensing totalled $30m. He added that Rodime was perhaps a year away from the granting of patents for its digital servo, which could extend the life of the company in its current form beyond 2004, when the disk drive patents expire.

Mr Bailey said Rodime could also consult on other companies' intellectual property, or could buy technologies and their patents rights on a percentage or joint venture basis.

In May Rodime had net negative worth of $27m (£15.2m at that time) and to qualify for the relisting, the company had to secure an unqualified opinion on the working capital adequacy review from Coopers & Lybrand, the auditor.

Operating profit was $1.99m (loss $373,000). Losses per share were 0.4 cents (1 cent).

Internal inquiry at Richmond

By Peggy Hollinger

RICHMOND OIL & Gas, the natural resources company which finds itself at the centre of a Serious Fraud Office inquiry into irregular share dealings, has launched an internal investigation into the underwriting arrangements for its 1989 flotation.

Mr Terry Steele, a non-executive director appointed in January 1991, said that possible changes to the board had been discussed, but any decision would depend on the outcome of the internal inquiry.

He hoped to "hear some comment internally" on the company's own inquiry before the weekend. A full board meeting is scheduled for August 5.

Mr Steele said a statement would be made by Mr Robert Fox, chairman, when the internal inquiry was completed.

An investigation by Price Waterhouse, reported in the Financial Times earlier this week, cited evidence for what appeared to be a circle of funds in the July 1989 flotation. The accountancy firm suggested that the cash circle was used to give the impression that the sub-underwriting for Richmond's offer had been fully financed.

Mr David Wilkinson, then chairman and now joint managing director of Richmond, said before the article appeared that he had been unaware of any such circle.

Mr Steele said Richmond had contacted the SFO several weeks ago regarding its investigation, which was prompted by the Price Waterhouse report.

COMPANIES: UK & INTERNATIONAL

Link-up and deals to solve a pressing problem

Andrew Bolger looks at the latest moves at Verson which has seen its share price collapse to 4½p

VERSON International Group, the loss-making Midlands-based machinery maker, has announced a large acquisition and disposal – both in the US – and the strengthening of its links with C Itoh, the Japanese trading house.

Mr Tim Kelleher, Verson's chairman and chief executive, said this complicated series of deals was aimed at significantly strengthening the finances of the group, which has seen its share price collapse from 47p since the outbreak of the Gulf war in August 1990.

The shares yesterday closed 1p lower at 4½p.

Verson also reported a pre-tax loss of £12.3m for the year to January 31, compared with a deficit of £390,000 last time. Turnover rose from £62.6m to £90.1m.

Losses per share increased to 8.66p against 0.04p. It has passed its dividend, having paid a total of 1p last time.

The group has agreed to buy Niagara, a US manufacturer of metal-forming equipment, for $23.5m (£12.1m), of which $14m is payable in cash on completion.

Niagara, which employs more than 340 people in Buffalo, New York, last year incurred a pre-tax loss of $1.3m on turnover of $29.7m.

Verson is also selling Taylor-Winfield – an Ohio-based metal-working equipment manufacturer it bought in 1990 – back to its original vendors, Mr John Anderson and some of his family, for $7.8m.

Finally, the UK group is creating a joint venture with Enprotech, a wholly owned subsidiary of C Itoh, to distribute and sell spare parts for Verson and Niagara metal presses in North and Central America.

By changing an existing licence agreement with Enprotech, Verson will receive a further lump-sum royalty payment of $7.5m.

In addition, Enprotech has been issued with a warrant to subscribe for up to £7.17m new shares in Verson at 10p each, which would represent 5 per cent of the UK group's current share capital.

Mr Kelleher, a Texan entrepreneur with an interest in West Midlands engineers, brought Verson to the market at the start of 1988.

His strategy was to buy up depressed businesses, reorganise them into profitable units, and then use the group's international marketing arm to sell their products overseas.

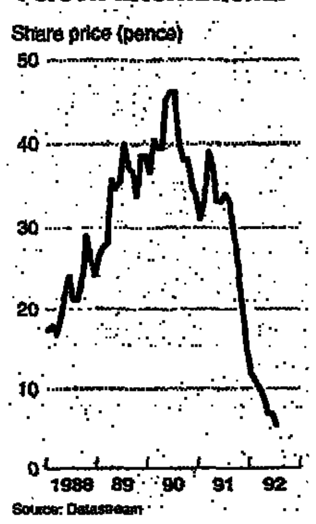
The group enjoyed a number of years of uninterrupted growth in turnover, with increasing export sales.

This came to an abrupt halt with the onset of the world recession, exacerbated by the Gulf crisis.

Mr Kelleher said: "For six months, there really was panic. Order intake just went off the cliff – even in China, one of our best markets, which is normally insulated from everything."

Verson International

Share price (pence)



Source: Datastream

Ashley Ashwood

Tim Kelleher: bought up depressed businesses

Order intake dropped by 55 per cent after the Gulf crisis broke, with UK business being particularly affected. This led to significant under-use of UK manufacturing capacity. The group's operating losses of £3.64m last year were increased by interest charges of £4.6m and an exceptional £4m to cover write-offs, redundancies and restructuring costs.

Mr Kelleher said he had reduced internal costs by £8m since November 1990. This had included 450 redundancies in the UK, plant closures and increased use of sub-contractors.

In December, Verson announced it had agreed in principle to sell British Federal, one of its metal joining subsidiaries, to its management, backed by a venture fund. Mr Kelleher said the financial backers subsequently tried to negotiate a lower price, so discussions were terminated.

However, the UK group has agreed to sell back Taylor-Winfield to Mr Anderson and certain members of his family. Mr Kelleher said the hoped-for benefits of the acquisition had never been realised and Mr Anderson had expressed a strong desire to leave Verson and re-acquire the business.

But why is Verson making another big acquisition in the US, given that it has had to unravel its last deal there so speedily? Mr Kelleher said Niagara is a very different company from Taylor-Winfield: "The family owners are elderly and will leave the business, so we can bring in our own management. The business is crying out for change and middle management wants to see it effected. It is also a business we know and understand completely."

There is also an important link between the acquisition of Niagara and the joint venture with Enprotech, which is a leading refurbisher of metal press equipment in North America. Spare parts supplied by the joint venture will be made at Niagara's plant, which Mr Kelleher estimates is currently only utilising about 30 per cent of its capacity.

After these deals are completed Verson will still be geared at over 300 per cent. However, Mr Kelleher said he was confident he would continue to get full support from Lloyds Bank. On the basis of Niagara's asset base, Verson will also gain access to facilities from Marine Midland, the US subsidiary of the Hongkong and Shanghai Bank.

Mr Kelleher said all the reshaped group's businesses would be cash-generative, assuming that orders continued to improve. He was confident that as a result of these proposals, Verson would be better placed to exploit an upturn in its markets.

However, he acknowledges that, despite the strengthening of the balance sheet resulting from these deals, Verson's borrowing is still too high in relation to its banking facilities – particularly in view of the intermittent nature of cashflow from some of the group's big contracts.

The planned sale of surplus properties and changes in its US pensions operations should reduce the group's gearing and support its working capital requirements. But should the group's performance deviate materially from that anticipated, the board warns that it would be necessary to seek additional working capital.

Offer for KIO's Spanish assets withdrawn

By David Owen in London and Peter Bruce in Madrid

A $2.5bn offer for the Kuwait Investment Office (KIO) industrial and property assets in Spain has been withdrawn by Mr Javier de la Rosa, KIO's former Spanish partner, with both sides yesterday blaming each other for the collapse of the proposed deal.

Mr de la Rosa made his offer in a faxed letter to the Kuwaiti finance minister on July 15 and asked for an indication of interest within the following 10 days.

A spokesman for the Catalan financier said yesterday the offer had been withdrawn on Monday, 12 days after the fax had been sent.

Individuals close to the KIO last night confirmed that the offer had been received.

"A fax was received on July 15 containing a highly conditional offer from an unnamed group of Spanish companies and financial institutions to purchase Grupo Torras," they said. Grupo Torras is the KIO holding company in Spain. "This fax was received from Mr Javier de la Rosa who identified himself as a minor investor in such a group.

"Due to the conditional nature of the contents of the fax and the need to finalise the offer, an adviser to the KIO contacted Mr de La Rosa requesting a confirmatory copy and discussed tentative arrangements for a meeting to be held earlier this week to clarify the seriousness of the offer. The confirmatory copy was not received and prior to any meetings a fax was received on July 27 from Mr de la Rosa withdrawing the offer."

Mr de la Rosa's spokesman said it had become clear during the 10-day period that the KIO was continuing negotiations started by Mr de la Rosa before leaving Grupo Torras in June, to sell off a large part of Ercros, the Torras chemicals business, to Freeport MacMoRan of the US.

Thus the offer could not stand after the 10-day grace period as without the Ercros businesses, the KIO assets in Spain would have been fundamentally altered, the spokesman said.

Bridgestone tumbles 21.4% at midway

By Robert Thomson in Tokyo

BRIDGESTONE, Japan's leading tyre maker, blamed a 21.4 per cent fall in first-half pre-tax profits to Y28.9bn ($231.2m) on weak demand from the domestic car and construction industries.

Sales for the six months to the end of June fell 2 per cent to Y342.9bn, while sales within Japan slipped 1 per cent to Y252.3bn, with demand for passenger car tyres steady but that for trucks and buses declining.

The company is confident of an upturn in the Japanese economy in the second half, and sales for the year are expected to be Y740bn, up from Y736.5bn, and pre-tax profits are forecast at Y70bn, down 8.7 per cent.

Bridgestone said improvement in the fortunes of Firestone, the US tyre maker acquired four years ago, and an expected recovery in the international economy would lead to net consolidated profits of Y25bn, compared with Y7.4bn in 1991.

However, consolidated sales are forecast to rise only slightly to Y1,770bn, from Y1,763bn, and the improvement will come from the reconstruction of Firestone, which has been a considerable burden for the Japanese company.

Indonesian cement group advances 49%

By William Keeling in Jakarta

SEMEN Gresik, one of Indonesia's largest cement producers, yesterday announced net profits of Rp40.8bn ($20m) in the six months to June, up 49 per cent on a year earlier.

However, brokers warned of depressed earnings in the second half and estimated 1992 net profits at about Rp65bn.

The company, in which the government retains a majority stake, went public last year and is undertaking a Rp605bn expansion to lift capacity to 4.1m tonnes per annum by mid-1994 from 1.5m tonnes.

Sales for the six months to June fell 2.3 per cent to 669,483 tonnes while operating income fell 13 per cent and operating margins fell to 14 per cent from 17 per cent.

At the end of June, Gresik held Rp392bn on time deposit and interest income of Rp51bn for the half-year accounted for 82 per cent of taxable income. Brokers expected time deposits to fall to Rp60bn by year-end as payments for the expansion programme became due.

Gresik's share price yesterday was unchanged at Rp5,700, but brokers said it could suffer from the expected flotation next month of Semen Tonasa, a state-owned cement company with a capacity of 1.2m tonnes a year.

Plans to float Tonasa in 1990 were postponed after a fall in the Jakarta stock exchange.

Phillips Petroleum to sell share in Japanese venture

By Gordon Cramb in Tokyo

PHILLIPS Petroleum of the US is to sell its half share in a plastics joint venture in Japan to Toray Industries, the fibres group which has been its local partner in the six-year-old operation.

The venture, Phillips Petroleum Toray, operates a 7,500-tonne-a-year plant making polyphenylene sulphide (PPS) resin, an engineering plastic used in the automotive and electronics industries.

No value was disclosed on the deal, but the unit has paid-in capital of Y6bn ($47m) and represents 30 per cent of Phillips' business in Japan, where it also has activities in liquefied natural gas, specialty chemicals and other plastics.

Phillips said it was quitting the venture as part of a reorganisation initiated in the US this year. Included in the disposal is Phillips' Japanese operations in PPS compound, where the plastic is combined with fibre glass or other materials.

Toray said the move to full control was aimed at improving efficiency by integrating management amid what it described as excessive competition.

The two will retain marketing links which according to Toray would establish a global supply system for the plastic, and will continue their mutual supply arrangements and technology exchanges.

PUBLIC WORKS LOAN BOARD RATES

Effective July 29

Years	Quota loans* EPt	Att	annuity
1			10¼
Over 1 up to 2	10¼	10¼	10¼
Over 2 up to 3	10¼	10¼	10
Over 3 up to 4	10⅛	10	9⅞
Over 4 up to 5	10	10	9⅞
Over 5 up to 6	9⅞	9⅞	9⅞
Over 6 up to 7	9⅞	9⅞	9⅞
Over 7 up to 8	9⅞	9⅞	10
Over 8 up to 9	9⅞	9⅞	10
Over 9 up to 10	9⅞	9⅞	10
Over 10 up to 15	10	10⅛	10⅛
Over 15 up to 25	10⅛	10⅛	10
Over 25	10⅛	10	9⅞

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 30.07.92 Pool purchase price £/MWh	Final Prices for Trading on 02.07.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.76	17.64	17.64
0100	17.76	17.64	17.64
0130	17.64	17.64	17.64
0200	17.64	17.64	17.64
0230	17.64	17.64	17.64
0300	17.64	17.64	17.64
0330	17.64	17.64	17.64
0400	17.64	17.64	17.64
0430	17.64	17.64	17.64
0500	17.64	17.64	17.64
0530	17.71	20.68	20.69
0600	17.71	17.64	17.64
0630	17.71	17.64	17.64
0700	20.33	21.98	24.53
0730	21.42	25.65	28.32
0800	24.11	25.65	28.27
0830	24.70	27.99	30.65
0900	28.05	28.01	30.64
0930	27.99	28.03	30.62
1000	28.00	28.04	30.58
1030	28.00	28.05	30.57
1100	27.99	28.05	30.57
1130	26.05	28.06	30.59
1200	26.05	28.09	30.61
1230	26.05	28.07	30.59
1300	26.05	28.04	30.56
1330	26.05	28.02	30.54
1400	26.05	28.00	30.53
1430	26.05	25.95	28.44
1500	24.82	25.95	28.44
1530	26.74	27.99	30.54
1600	25.74	28.00	30.54
1630	24.82	28.01	30.54
1700	25.74	28.01	30.54
1730	27.99	28.01	30.54
1800	27.99	27.99	30.65
1830	24.70	25.65	28.16
1900	24.45	25.65	28.18
1930	24.11	25.65	28.20
2000	22.85	24.48	26.98
2030	18.75	24.48	26.98
2100	22.00	24.45	26.98
2130	21.81	24.48	26.98
2200	27.99	27.90	30.52
2230	27.89	38.50	41.25
2300	21.91	38.50	41.44
2330	21.42	24.48	27.01
2400	20.45	21.81	24.30

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-486760 between 8.30am and 5.15pm Monday to Friday

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COMPANY NEWS: UK

Higher revenues boost margins at The Telegraph

By Maggie Urry

HIGHER REVENUES boosted operating margins at The Telegraph, the UK newspaper group in which Mr Conrad Black's Hollinger Group has a 68 per cent stake, in the half-year to June 30.

That led to a 30 per cent increase in operating profits, from £16.4m to £21.3m, and lifted pre-tax profits by 13 per cent to £21.6m.

The group was floated on the stock market early this month at a price of 325p, but the shares fell sharply when dealings began. Yesterday they rose 16½p to 292½p.

Mr Joe Cooke, managing director of The Telegraph, said that the low cost base meant a rise in revenues had an even greater effect on profits. Operating margins rose from 14.9 per cent to 17.8 per cent.

Sales rose 8.6 per cent to £119.9m, with revenue from circulation, including a cover price rise in February, and advertising contributing roughly equally to the gain. Mr Cooke said display advertising had been dull in March and April, but began to recover in May and was good in June.

The pre-tax result, which included first quarter profits of £9.5m (£7.9m), was struck after exceptional costs of £2.2m relating to the flotation (£1.5m) and net interest income of £700,000 (£4m).

The prospectus had warned that the second quarter would bear, for the first time, the £1m a quarter cost of moving to Canary Wharf in London's Docklands. It said interest income would be £600,000 lower in the quarter, and £1m lower in future quarters, because of the £20.2m purchase of a stake in Trinity International and the £13.4m cost of a special pre-flotation dividend.

Associate profits rose from £200,000 to £1.8m, largely reflecting the 15 per cent stake in John Fairfax, the Australian media group.

This is regarded as an associate, although The Telegraph does not have any contractual right to board representation.

Conrad Black, chairman: operating margins ahead

The tax charge rose from 20.4 per cent to 31 per cent, as accumulated tax losses dating back to the mid-1980s had now been used up. As a result, earnings per share fell slightly to 11.1p (11.4p). The interim dividend is the promised 4.5p.

● COMMENT

The Telegraph's rather meagre statement yesterday shows it has not quite got the hang of being a public company yet, and the doubts about having a majority shareholder remain. That said, the company redeemed itself with slightly better than expected results. The jump in operating margins came as something of a surprise even though the prospectus published a month earlier hinted at the high operational gearing of the group. It is a reminder of the money that can be made in a relatively mature market when things start moving the right way. The February price increase has not hit copy sales, and arguably readers are getting a better product as new sections are introduced. Forecasts have gone up to £44m (£40.5m) or more and the prospective p/e of about 13.3 is now reasonable. The shares may find it difficult to rise above the 325p issue price for some time, though.

Airtours may drop Euro Disney arrangement

By Michael Skapinker, Leisure Industries Correspondent

AIRTOURS, the UK's third largest holiday company, said it was reconsidering its status as a special operator to the Euro Disney theme park as sales to the resort had been disappointing.

The company said it was unlikely to remain a special operator when its contract comes up for renewal next year.

Euro Disney said it had eight special operators in the UK and most appeared happy with the arrangements. In some cases, operators had asked for additional Euro Disney capacity to meet demand.

Special operators have the right to book places at Euro Disney's own hotels and receive assistance with promotion and marketing.

Mr George Marcall, Airtours sales director, said it was difficult to say how well the rest of the company's high season programme was selling. "The situation is getting better. Prices are holding," he said.

Airtours shares closed at 253p, up 22p on the day.

Misys turns in strong recovery to £9.12m

By Peter Pearse

MISYS, the computer services group, reported a strong recovery in the year to May 31, with pre-tax profits rising 62 per cent from £5.63m to £9.12m.

The increase was mainly the result of reduced costs, improved margins and tight control of working capital, said Mr Kevin Lomax, chairman.

There was also an absence of exceptional charges – last time £1.05m was deducted from the pre-tax line for redundancies, full listing costs and losses on the sale of Modular Technology. Operating profits rose 28 per cent to £8.87m (£6.93m).

Turnover edged ahead to £68m (£67.5m), though the cost of sales declined by almost £1m to £38.6m. Overheads fell by £229,000 to £30.6m.

Mr Lomax said that the margins were better because the software content of the group's sales was increasing and the hardware reducing. Software is priced on the size of applications, or the number of stations, giving it higher margins.

However, product sales were down by 7 per cent, though this was compensated for by the 18 per cent increase in service revenues, which now account for 39 per cent of total sales. In the year to May 1990 the figure was 25 per cent.

Mr Lomax said the demand for working capital was "modest", that the group carried very little stock and that debtor days were 36 – "good within the industry", he said.

The company has cash balances of almost £10m (£6.9m), after spending £3m on acquisition costs. Always known as an acquisitive company, Misys bought Innsite, the provider of software for the hotel industry, and a maintenance company during the year.

At the end of the period, it bought the balances of Countrywide Holdings (UK) and Countrywide Management Group that it did not own – "a large infill acquisition", said Mr Lomax, to boost Misys Financial Systems with insurance trading products.

Earnings per share rose to 17.8p (11.5p) per share and the final dividend is lifted 9 per cent to 3.83p to make 6.1p (5.67p) for the year.

The shares closed up 13p to 304p.

● COMMENT

Computer software companies fall into two camps. There are those, like Misys, which make products and then market them. They have the benefit of short order books. They were hit hard earlier in the recession and are now bouncing back. Then there are the Hoskyns and Logicas of this world which make bespoke systems to order. Things aren't so pretty there. Misys also locked many of its customers into good service contracts in the good times; these are now helping it in the bad. That, and the financial services side contribute the bulk of profits, which makes the Countrywide purchases, with their recurring revenues, seem sound. Assuming, perhaps generously, pre-tax profits of £14m for the current year, earnings will be 25.2p per share giving a prospective multiple of 12.1, a marginal premium to the market average. A buy, but not without risk.

Fairey to buy Infrared Eng

By Andrew Bolger

FAIREY GROUP, the diversified engineering company, has agreed to buy Essex-based Infrared Engineering and its marketing and technical support subsidiaries in Boston and Stuttgart in a deal worth £11.5m.

Infrared makes specialist gauges used to measure moisture, fat and protein for the food, paper and tobacco industries and the thickness of plastic films and coatings.

Fairey said Infrared had achieved compound annual sales growth of 12 per cent over the last five years, with 80 per cent of its turnover exported. In the year to March 31 underlying pre-tax profits were £1.4m on sales of £7.3m.

Fairey is paying £10.3m for Infrared by issuing 2.68m new shares to the six vendors who are currently directors.

The five executive directors remaining with Infrared after the acquisition will retain 827,676 Fairey shares.

The balance of the shares has been underwritten by Cazenove and will be placed with investment clients at 380p per share. Fairey's shares added 7p to 400p.

By separate contract, Fairey has agreed to buy from the Infrared directors' pension fund the freehold building from which Infrared operates for £1.2m cash.

Fairey expects to increase its dividend for the six months to June 30 by 10 per cent to 3.3p.

Colorvision at £2.03m

COLORVISION, the consumer electronics retailer, reported profits before tax of £2.03m for the 18 months to March 31.

The outcome was struck after an exceptional charge of £808,000, needed after payments made to creditors, which had not been accounted for, came to light after the accounts were computerised last year.

The company reported profits of £2.21m pre-tax for the 12 months to September 30 1991.

Turnover was £88.5m. Like for like sales for the 12 months ended March 31 rose by 17 per cent. The group has expanded the number of stores from 75 to 83.

Mr Neville Michaelson, chairman, said: "It is evident that the economy is still in recession but nonetheless we have continued to increase our share of the television video recorder, camcorder and satellite dish markets."

A recommended final dividend of 2.5p makes a total of 8.1p for the 18 month period.

Earnings per share were 6.5p.

Restructured FMT in the black on reduced sales

By Andrew Baxter

FMT, the Brighton-based producer of sophisticated machining centres, lightened the gloom hovering over the UK machine tool industry by announcing it had made a first-half profit and won £1.7m of orders in June.

Profit figures were not disclosed, but were struck on slightly lower turnover of £7.5m. The company has gone through a series of restructuring moves in the past year which have reduced employment from 450 to just over 200.

Mr Mike Bright, chairman, said he had "high hopes" that the company could remain in profit this year, even though the effects of reduced order intake in the UK over the past months had not yet fed through to the results.

The recent batch of orders includes more than £1m to rebuild seven machine tools for two customers, Cummins Engine and Rockwell.

In addition, two new machining centres have been ordered by Crosrol, the textile machinery manufacturers. Together with pallet stands, these are valued at more than £650,000 and will extend two machining cells already installed.

FMT, formerly called KTM, was acquired in 1988 by Mr Bright and five senior managers in a £10.6m buy-out from Vickers, the engineering group.

NEWS DIGEST

Hickson in £1m flooring disposal

HICKSON Flooring Distributors, a subsidiary of Hickson International, the chemicals group, has sold the Leeds branch of its floor coverings distribution business to Alvin Morris, a wholly-owned subsidiary of Mercado Holdings.

The consideration is expected to amount to £1.03m cash. An initial £900,000 has been paid.

The disposal continues Hickson's strategy of divesting its floor coverings division and concentrating on its core chemical businesses.

Abaca shares suspended at 1½p

Dealings in shares of Abaca Group, the motor trader and property concern, were suspended at 1½p on the Unlisted Securities Market yesterday pending clarification of the group's financial position.

Directors said that talks were progressing with the potential offeror mentioned in a previous announcement. It hoped to make a further announcement shortly.

Fleming Emerging pays special 1.2p

Fleming Emerging Markets Investment Trust had a net asset value of 105.4p at June 30.

The trust, which invests mainly in countries in the World Bank's low and middle income brackets, came to the market in July last year.

Net revenue for the period from the launch to end-June amounted to £732,030 for earnings of 1.22p per share, 1.2p of which is distributed to shareholders as a special dividend.

However, directors, said that as emerging markets typically provide low dividend yields and that the trust's objective was to achieve capital growth, net income for the current year would be "significantly lower".

Sphere net asset value down to 19.4p

Sphere Investment Trust reported a net asset value, after deducting prior charges at par, of 19.4p per income share as at June 30.

The value compared with 29.3p 12 months earlier and 20.9p at the trust's December year-end.

Net asset value per zero dividend share was 71p, against 62.7p and 66.7p.

Available revenue for the six months to end-June declined to £1.96m (£2.44m), equal to earnings of 1.61p (2.01p). As already announced, a second quarterly dividend of 0.75p makes 1.5p (1.875p) so far this year.

Updown net assets show marginal fall

Halfway through its year, the net asset value at Updown Investment Company had declined to 491.45p, against 493.57p at the end of the previous first half.

Attributable profits in the six months to June 30 fell to £297,000 (£323,000) for earnings of 7.42p (8.07p) per share.

COMMODITIES AND AGRICULTURE

Kola nickel clean-up plans revived

By Kenneth Gooding, Mining Correspondent

A $640M project to renovate one of the world's biggest polluters, the Pechenga nickel smelter on the Kola peninsula, which was aborted in March because of Russia's financial problems, has been resurrected.

Outokumpu, the state-owned Finnish group that is acting as technical manager of the proposed project, has reinstated its tender – $600m for smelter renovation and $40m for infrastructure work – and set a new end-October deadline for acceptance.

Pechenga spews out about 284,000 tonnes of sulphur dioxide a year. Some of it falls on the nearby town of Nickel, near the Finnish border, but the prevailing winds take two-thirds of it across Finland and Norway where the acid rain caused has done severe damage to forests.

If the project goes ahead, it would cut sulphur dioxide emissions to only 15,800 tonnes and enable Russia to meet the undertaking (first given by the government of the Soviet Union) to cut emissions from in the Finnish border area by half.

Equally important, from Russia's point of view, the project would provide the Norilsk nickel group, one of the country's most reliable and successful exporters, with a new smelter. Western observers suggest that the present Pechenga smelter, originally established in the 1930s and renovated in the 1940s, has only a few years of life left in it.

Pechenga produces about 100,000 tonnes a year of nickel in matte (an intermediate material), which is sent to Montshegorsk for refining. At first the pollution abatement scheme was to have cost more than $1bn and included Montshegorsk but this proved to be economically impossible because of transport problems.

The Finnish and Norwegian governments have promised environmental grants of up to $100m towards the project and they, together with Sweden, have said they would provide loans for the rest of the required investment. If Russia remains short of foreign currency, Outokumpu would be willing to take up to $100m of metal a year and would help repay the banks.

The Norilsk group, which owns the Pechenga smelter and is the world's biggest nickel producer, is still hoping to win exemption from the Russian government from the requirement for most of its foreign earnings to be handed over and converted into roubles.

Outokumpu let its tender lapse in March but has now reinstated it following a recent decree by Mr Boris Yeltsin, Russia's president, which also set an October target for agreement on the Pechenga project.

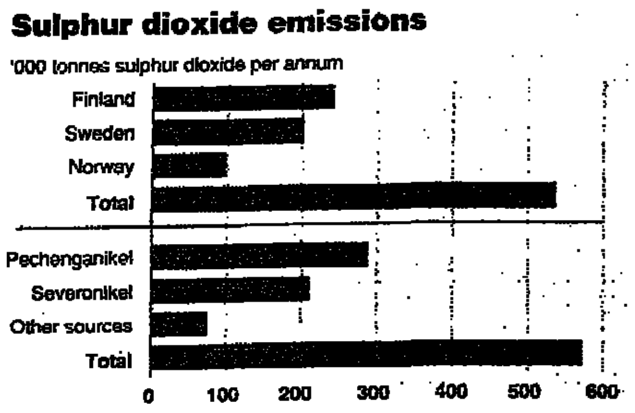
The Russian government has set up a special finance group to meet Nordic government representatives to thrash out financial details. The Nordic working group includes representatives from the export guarantee institutions of Finland, Norway and Sweden and the Nordic Investment Bank. Export credit would be tied to deliveries from each country.

If the project goes ahead, Finland will provide about half the equipment including about 20 per cent from Outokumpu alone (a flash smelter based on Outokumpu technology and a sulphuric acid plant); 25 per cent from Norway (Elkem is responsible for the slag cleaning plant); and 10 per cent from Sweden.

Outokumpu says that, if its tender is accepted by October, final agreement should be reached in mid-1993. There is a very tight three-year construction schedule. When the scheme was first mooted the new smelter was to have started up in 1995.

Outokumpu has spent between $3m and $5m so far on the project but if negotiations finally collapse the Finnish government will repay half the cost.

Sulphur dioxide emissions



Mining as an environmental pariah

Matthew Kaminski on mounting pressure on the industry in the US

THE MINING industry is an environmental pariah that both industrialised and developing nations must strictly regulate.

This is the conclusion of a comprehensive study of the global environmental impact of mineral extraction. The report, Mining the Earth, is published by the Worldwatch Institute, a respected Washington think-tank.

The report describes a broad pattern of ecological damage. Each year, it says, miners strip 28bn tonnes of material, more than is removed by the planet's rivers, and generate 2.7bn tonnes of waste, much of it hazardous. Smelting pumps 6m tonnes of sulphur dioxide into the atmosphere, a major cause of acid rain.

"Few would dream that mines and smelters take up to a tenth of all the energy used each year or that the waste left by mining measures in billions of tons – dwarfing the world's total accumulation of more familiar kinds of waste, such as municipal garbage," says Mr John Young, the report's author.

Yet he notes that many countries promote virgin mining – which they see as key to development – with hefty subsidies. In the US, for example, tax breaks provided the mining industry with a $5bn subsidy during the 1980s.

The US mining industry dismisses the report's proposals to tighten environmental standards, tax mineral extraction to pay for waste clean-up and eliminate tax breaks. The American Mining Congress, the industry's main trade association, claims that US miners pioneered responsible practices – spending $14bn over the past 20 years to help the environment – and religiously adhere to already tough government regulations.

"To say that the mining industry is 'ravaging' the earth is both a gross distortion of the truth and an insult to the dedicated work of miners everywhere who respect the land, its treasures and beauty," says Mr John Knebel, the AMC's president.

Even so, the lobby's bigger concern is a threatened congressional bill. The House of Representatives version, sponsored by Democrat Mr Nick Rahall, was the first hard rock mineral mining reform bill ever reported to the House floor from committee.

The bill aims to change completely a century-old system under which anyone can explore US federal lands and rights to plots for as little as $2.50 an acre after discovery of a valuable mineral deposits.

One provision would impose a rental fee for using the land and set stricter regulations for repairing the area after mining is finished. The bill would also place an 8 per cent royalty on gold, silver, platinum and other hard-rock minerals extracted from federal lands. Environmentalists hope these standards will make mineral prices reflect the ecological costs of mining.

The industry pleads that current policy promotes new ventures on millions of acres of unexplored federal land. It warns that the fee and royalty provisions could dig deep into US mine profits and devastate communities, mostly in western states, that depend heavily on mining.

But supporters counter that the present policy is a throw-back to the old west – the current law was passed in 1872 – when the government aggressively promoted settlement. Since minerals are no longer scarce (and the west is settled), Mr Young says the administration has no excuse for ignoring the ecological hazards posed to US land by mining ventures.

However, the study finds that severe harm has been done to developing countries, which it says have been left ravaged and indebted by mining development strategies. Many Third World countries became highly dependent on mineral exports during the 1960s, but as prices fell in the past two decades the pressure on producers to repay development debts has become too great.

Zambia, which relies on copper for 86 per cent of its export revenue, is held up as an example. When copper prices skidded in the early 1980s, the country's economy went into a tail-spin: in 1989, the country's debt was 1.4 times its gross national product.

"The rich nations bear a special responsibility to help clean up the messes created to satisfy their needs, and to ensure that new damage is kept to a minimum," says Mr Young. "More attention – and funding – needs to be devoted to diversifying the economies of mineral producing nations."

Lords urge more cuts in EC fishing fleets

By Richard Mooney

THE PHASING out of industrial fishing within the European Community and further reductions in community fleets are among the proposals in a critical House of Lords report, published yesterday, on the EC's common fisheries policy.

The Lords inquiry was prompted by the mid-term review of the CFP being undertaken by the European Commission with a view to drawing up proposals for reforms for the consideration of the council of ministers later this year.

While criticising the policy's failure to ensure that fish stocks are sufficient to support the fishing industry, the House of Lords Select Committee on the European Communities concludes that the community fleet is still too large and should be reduced further by decommissioning.

Structural funds should be made available to coastal communities to help provide training and alternative employment for those who lose their jobs as a result of fleet reductions, it says. To ensure value for money for taxpayers' expenditure on decommissioning grants the report suggests that a tendering system could be employed.

The committee's concern about industrial fishing (catching non-human consumption species for animal feed production) is based on the threat it poses of undermining the food chain for larger fish and the unacceptably high by-catch of human consumption species. This type of fishing should be phased out in EC waters over the next ten years, the report says.

The Lords committee also deplored the large-scale discarding of unwanted species from human consumption catches. This practice, which wastes huge quantities of fish, should be banned, the report says, with the fish that otherwise would have been discarded being used for industrial purposes.

Whatever reforms are agreed by the EC fisheries ministers they should seek to simplify the present complex regulations, the committee argues, pointing out that the CFP can never work unless it is simple and enforceable.

It calls for harsher penalties for infringements ,including revocation of licences.

Review of the Common Fisheries Policy (HL Paper 9), HMSO, £38.

Tea production falls 17% in first half

WORLD TEA output in the first six months of 1992 fell by 17 per cent to 388m kg compared with 465.2m kg in the corresponding period last year, the United Planters' Association of Southern India said, reports Reuter from Coonoor.

The association said the fall in Sri Lanka was the greatest at 34.6m kg, followed by India, 23.4m kg, and Kenya, 12.5m kg. Malawi, Zimbabwe, Mauritius and Uganda reported marginal crop reductions.

But Bangladesh and Tanzania reported output gains of 500,000 kg and 300,000 kg respectively.

Sri Lanka's output fell to 68.5m kg in the first six months of 1992 from 103.1m in the same period of 1991. Kenya harvested 91.2m kg, compared with 103.7m kg.

The association said India's tea production was down to 174m kg in the January to June period from 197.4m a year earlier.

The bulk of the Indian crop fall, up to 17.5m kg, was in the southern region, which had suffered a drought. First half production in the southern region June was 76.3m kg against 93.8m in the previous year.

European aluminium hit by weak dollar

By Kenneth Gooding

EUROPEAN ALUMINIUM smelters are suffering severely from changing exchange rate patterns, particularly a weakening US dollar, because the metal is internationally priced in dollars, says the Anthony Bird consultancy group in its latest review.

It suggests that Spain is worst off, with primary aluminium production costs now at 80 cents a lb compared with Venezuela, the lowest-cost country, at 42 cents.

Germany, 67 cents, Norway and the UK, 63 cents each, also have production costs well above present market prices, says Bird. Only France, where Pechiney's new Dunkirk smelter using nuclear electricity recently came into production, is reasonably well-placed with costs of 52 cents.

This places France ahead of the US, 56 cents, and even Brazil, 55 cents. Canada, 43 cents, and Australia, 45 cents, are the other low-cost producers.

Bird suggests that aluminium demand, after going into reverse this year, will surge ahead by 6.5 per cent in 1993 before settling at a 3 to 4 per cent annual growth until 1995.

There will be no recovery in aluminium prices this year and only a slow improvement in 1993, it adds. But in the medium term prices must improve because they need to be about 75 cents a lb to justify new smelters being built.

"Aluminium Analysis," quarterly. £505 a year from Bird Associates, 193, Richmond Road, Kingston upon Thames, Surrey KT2 5DD, UK.

Western World Supply-Demand Forecasts (thousand tonnes)

	1991	1992	1993	1994	1995
Production	14,184	14,468	14,310	15,295	15,956
Consumption	14,760	14,656	15,607	16,199	16,715
Ex-socialist net exports	806	758	534	395	243
Stcks change	+660	+591	−784	−508	−516
Average price*	60	60.1	63.3	73.2	95.3

Source: Anthony Bird Associates. *US cents a lb in constant July 1992 money.

Malaysian palm oil sales

By Kieran Cooke in Kuala Lumpur

PAKISTAN AND Algeria are to buy $150m worth of Malaysian palm oil under the Malaysian government's recently inaugurated long term export credit financing programme.

Mr Lim Keng Yaik, the Malaysian Primary Industries Minister, said contracts giving Pakistan a $100m credit facility and Algeria one of $50m would be signed early next month.

Malaysia's export credit financing programme for palm oil extends a total of $500m to six countries – China, India, Egypt, the Commonwealth of Independent States, Pakistan and Algeria.

Mr Lim said credits would be granted for up to two years as part of the government's strategy to secure big, long term palm oil contracts. "The contracts will ensure a ready market for the commodity in the years to come," he added.

US butter for Russia under credit programme

By Nancy Dunne in Washington

THE US Department of Agriculture has announced its first sale of butter to Russia under its three-year credit guarantee programme.

The $55.35m sale of government-owned salted butter covered 34,600 tonnes, costing $1,567.50 a tonne, freight inclusive to Baltic Sea ports. Deliveries are scheduled for August through November.

Russia has opted for butter costing more than the unallocated portion of total $300m made available for agricultural imports from the US earlier this month.

The sale comes at a time when reports about the flow of grain to Russia are confused. But it is believed that imports have been rising, partly as a result of peasants holding back supplies in the hope of an increase in prices.

On July 2, the USDA announced an acceleration in the Russian credit programme, making $300m in guarantees – double what had been expected – immediately available.

The commodity breakdown for the allocation was as follows: $96m for wheat; $55m for feed grains; $64m for protein meals; $12.1m for tallow; $6.3m for vegetable oil and $41.6m unallocated.

On July 6, private exporters announced sales of 405,000 tonnes of maize and 115,000 tonnes of soyabean meal to Russia for delivery this year. On the following day came news of a 659,000 tonne wheat sale.

The $300m allocation reflected the strong pressure on USDA to make credit available for sales of processed commodities and high value sales, like butter.

Earlier this month, the Department donated 4,000 tonnes of butteroil to Kazakhstan. It was sold to the private sector, with the proceeds to be targeted for the neediest in the republic.

The donation was made in co-operation with Mercy Corps International, which was to use local currency generated by the butteroil sale to distribute wheat flour previously donated by the US.

The Department also donated 100 tonnes of non-fat dry milk to the republic of Georgia, bringing to nearly $200m the total value of humanitarian US food aid to the former republics.

Export credit guarantees worth $55m were made available for commodity sales to the Ukraine on July 2.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD see-sawed in a volatile and extended fixing session, climbing to $359 a troy ounce and then tumbling to fix at a 12-day low of $356.20 in what appeared to be a move by US investment funds to extricate themselves from an overheated market. The price closed in London at $356.85 an ounce, down $1.60 on the day. Dealers said the recent strength of the gold market had been futures-driven on the back of US fund buying, with the spot price lagging and weighed down by producer sales. At the London Metal Exchange **ALUMINIUM** prices extended Tuesday's chart-inspired technical fall to close at $1,313.50 a tonne, down $14 on the day. A rally in London's **COCOA** futures market ran out of steam, apparently without having attracted producer delling. The September price touched £617 a tonne before slipping back to close at £612 a tonne, up £13 on the day. Dealers thought a sharp fall in **SUGAR** futures might have been sparked by talk of a sugar freight enquiry from Cuba to Morocco which was interpreted by some as suggesting that sugar was beginning to emerge from the Latin American country. The fall gathered momentum with heavy stop-loss selling.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.40-8 45	-.075
Brent Blend (dated)	$20 60-0.75	-0 10
Brent Blend (Sep)	$20 65-0 70	-.075
W.T.I (1 pm est)	$22.05-2.10	

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$226-229	+1
Gas Oil	$165-187	-2.5
Heavy Fuel Oil	$85-87	
Naphtha	$196-197	+0.5

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)♣	$356.85	-1 60
Silver (per troy oz)♣ §§	394 0c	-1 0
Platinum (per troy oz)	$372 5	-2 5
Palladium (per troy oz)	$88 35	-0 90
Copper (US Producer)	119 12c	
Lead (US Producer)	33 5c	+0.6
Tin (Kuala Lumpur market)	17 05r	+0 25
Tin (New York)	322 0c	+5 5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	111 18	-0 39*
Sheep (live weight)†♠	74.18p	-4.46*
Pigs (live weight)†	83 91p	-1.11*
London daily sugar (raw)	$276.0w	
London daily sugar (white)	$299 0w	-1.0
Tate and Lyle export price	£252 5	-0.5
Barley (English feed)	£109 5	+1 5
Maize (US No 3 yellow)	£151 5	
Wheat (US Dark Northern)	Unq	
Rubber (Sep)♥	50 50	-0.25
Rubber (Oct)♥	50.50p	-0 25
Rubber (KL RSS No 1 Jul)	222.0r	
Coconut oil (Philippines)§	$470.0t	
Palm Oil (Malaysian)§	$370 0z	
Copra (Philippines)§	$335.0	-2.5
Soyabeans (US)	£135.0z	
Cotton "A" Index	64 25c	-0 35
Wooltops (64s Super)	383p	

£ a tonne unless otherwise stated p-pence/kg c-cents/lb. r-ringgit/kg.t-Sep/Oct w-Aug/Sep y-Sep z-Aug. †Meat Commission average fatstock prices * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg ♠Sheep prices are now live weight prices. §§Correction for 16/7/92 394 0c.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	245.00	255.00	246.20	229 80
Oct	210 90	226 00	224 60	213 00
Dec	199.60	207.00	205.00	199.60
Mar	204 80	214 00	213.20	
May	204 40		211 00	
White	**Close**	**Previous**	**High/Low**	
Oct	266.00	273 50	273 00	262.00
Dec	261.50		268 70	260 00
Mar	267 50	273.00	272.00	263 00
May	270.50	276.50	268.50	
Aug	274.00		272.50	

Turnover: Raw 222 (193) lots of 50 tonnes. White 1760 (482) Paris- White (FFr per tonne) Oct 1340.11 Dec 1327.30

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Sep	20.68	20.72	20.73	20 57
Oct	20 58	20.65	20 66	20 54
Nov	20 51	20 57	20 59	20 45
Dec	20.40	20.46	20 40	20 35
Jan	20 28	20 31	20.28	20.20
Feb	20.15		20 15	20.14
Apr	19.85		19 86	
IPE Index	20 76	20.57		

Turnover 15852 (16227)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Aug	188.00	189.75	198 50	186 75
Sep	190 50	192.25	191.00	189.00
Oct	193.00	194.50	193.00	191 50
Nov	194.75	196.00	194 75	193.25
Dec	196.00	197.25	196.00	194.75
Jan	194 50	195.50	195.00	193 50
Feb	190.25	191 75	190.25	
Mar	186.25	187 25	186.25	186 00
Apr	183.00		183.00	

Turnover 12169 (11180) lots of 100 tonnes

WOOL

Australian sales were resumed on July 28 and the market indicator moved up just 3 cents to 548 cents a kg., compared with the close at the end of June. Views about probable movements varied as usual, but there were quite a number of traders expecting some sort of increase, perhaps larger than actually occurred. Japan appears to have shown limited interest, with Europe relatively active. Subsequently prices have been firm or barely steady, according to category. With four million bales in the Australian stockpile, disposal rates at present are very low.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Jul	600	600	580	
Sep	612	599	617	603
Dec	642	630	646	633
Mar	672	658	675	662
May	690	676	683	681
Jul	708	694	709	698
Sep	727		727	725
Dec	754		754	750
Mar	782	768	782	779

Turnover: 4172 (2360) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 28 771.76 (780.91) 10 day average for Jul 29 755 59 (754.35)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jul	712	705	706	
Sep	727	723	730	724
Nov	742	745	749	740
Jan	758	762	766	759
Mar	777	781	783	778
May	793	797	799	799
Jul	808	803	812	

Turnover 734 (4167) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 28: Comp. daily 46.87 (46.92) 15 day average 49.31 (49.39)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	70.6	72 0	73.0	70.1

Turnover 101 (38) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	121.00	120 50	121.00

Turnover 40 (25) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Jul	1088	1095	1088	1080
Aug	1066	1100	1085	1066
Sep	1112	1135	1130	1112
Oct	1195	1196	1195	1185
Jan	1220	1225	1220	
Apr	1270	1280	1270	1265
Jul	1130	1130	1130	
BFI	1093	1094		

Turnover 139 (279)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Sep	112.00		112.00	
Nov	115 30	115.00	115.30	115.25
Jan	119 10	118.90	119.10	119 05
Mar	121.65	121.45	121.65	
May	125 10	124.50	125.10	125 00
Barley	**Close**	**Previous**	**High/Low**	
Sep	109 55	109.50	109.55	
Nov	112.90	112.70	112.95	112.70
Jan	116.60	116.50	116 65	116 60

Turnover: Wheat 104 (62), Barley 148 (101)
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	105 5		105.0

Turnover 5 (15) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 32,742 lots
Cash	1313-4	1327-8		1316-7		
3 months	1337-8	1351-2	1347/1329	1340-40.5	1328-9	178,585 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,658 lots
Cash	1320.5-1 5	1320-1	1311	1311.5-2.0		
3 months	1344.5-5.5	1344-5	1344/1335	1335-5.5	1343-4	137,626 lots
Lead (£ per tonne)						Total daily turnover 6,289 lots
Cash	336-7	336.5-7.5		335-6		
3 months	347-7.5	347.5-8 0	348/346 5	346-6.5	347-7.5	27,840 lots
Nickel ($ per tonne)						Total daily turnover 4,973 lots
Cash	7495-505	7490-500	7445/7435	7430-5		
3 months	7560-70	7555-65	7560/7510	7510-2	7550-60	24,689 lots
Tin ($ per tonne)						Total daily turnover 2,052 lots
Cash	6825-35	6895-915		6885-90		
3 months	6868-70	6930-50	6370/6870	6905-7	6875-80	12,343 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 12,005 lots
Cash	1345.5-6 5	1337-8		1342-3		
3 months	1353-4	1347-8	1357/1341	1349-50	1352-3	68,713 lots

LME Closing £/$ rate:
SPOT 1.9170 | 3 months: 1 8855 | 6 months: 1.8579 | 9 months: 1.8206

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	356.70-357.00	
Opening	358.80-359 10	
Morning fix	358.20	185.692
Afternoon fix	356.20	185.212
Day's high	358.80-359 10	
Day's low	355.20-356.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.70	6 months	2.72
2 months	2.70	12 months	2.76
3 months	2.71		

Silver fix	p/troy oz	US cts equiv
Spot	204 10	394 00
3 months	209.25	397.30
6 months	214.35	400.45
12 months	225.25	408 95

GOLD COINS

	$ price	£ equivalent
Krugerrand	358.00-360 00	185 00-188.00
Maple leaf	367.70-370.05	-
New Sovereign	86.00-88.00	-

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	36	17	18	31
1350	13	44	44	55
1400	3	26	85	85
Copper (Grade A)	**Calls**		**Puts**	
2550	47	72	46	68
2600	27	53	73	93
2650	13	38	111	122
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
650	77	100	1	8
700	36	63	10	21
750	11	38	35	44
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
575	10	43	23	28
600	22	59	10	17
625	40	77	3	10
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
2100	15	36		
2150	6	21		
2200	2	13		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	358.5	358.9	0	0
Aug	356.5	359 0	358.5	355 5
Sep	357.3	359.8	0	0
Oct	358.4	360.9	360.5	357.5
Dec	360.4	362.9	362.5	359.5
Feb	362.3	364.8	363.0	361.1
Apr	364.1	366.6	364.4	364.4
Jun	366.0	368.5	0	0
Aug	367.9	370 4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	374.0	374.9	374.5	372.0
Jan	372 0	373.1	372.5	370.0
Apr	372.0	373.1	372.0	372.0
Jul	373.0	374.1	375.0	373.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	389.1	394.3	391.0	388.0
Aug	389.2	394.8	0	0
Sep	390.3	395.8	394.5	389.5
Dec	394.3	398.9	398.5	393.5
Jan	395.7	401.4	0	0
Mar	398.4	404.3	402.0	398.0
May	401.2	407.2	401.0	401.0
Jul	403.8	409.9	407.0	405.0
Sep	406.5	412.8	0	0
Dec	411 1	417.4	415.0	413.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	113.50	114.60	114.30	113.60
Aug	113.55	114.75	114.20	113.60
Sep	113.95	114.90	114 60	113.70
Oct	113.80	114.55	0	0
Nov	113.60	114.35	0	0
Dec	113.65	114.35	114.05	113.40
Jan	113.20	113.85	0	0
Feb	112.85	113.45	0	0
Mar	112.50	113.05	112 75	112.60
Apr	111.80	112.30	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	56.55	58.60	56.90	54.80
Dec	58.35	59.35	59.60	57.80
Mar	61.10	62.20	62.25	60.40
May	65.15	65.15	66.20	64.50
Jul	67.00	68.35	68.00	65.95
Sep	69 50	70.45	70.80	69 50
Dec	73 60	74 05	74.00	73.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Sep	22.00	22.05	22.12	21.93
Oct	21.88	21.94	21.99	21.84
Nov	21.78	21.84	21.87	21.74
Dec	21.68	21.74	21.76	21.63
Jan	21.53	21.59	21.60	21.52
Feb	21.37	21.43	21.43	21.37
Mar	21.22	21.28	21.28	21.28
Apr	21.08	21.14	21.14	21.13
May	20.96	21.02	21.02	21.02
Jun	20.84	20.90	20.88	20.85

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Aug	6089	6175	6155	6080
Sep	6135	6232	6220	6145
Oct	6235	6330	6310	6230
Nov	6335	6427	6415	6340
Dec	6422	6507	6505	6420
Jan	6446	6522	6500	6430
Feb	6346	6412	6395	6320
Mar	6101	6162	6145	6145
Apr	5876	5932	5915	5895
May	5701	5757	5710	5710

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1027	1023	1045	1011
Dec	1087	1082	1100	1072
Mar	1136	1131	1145	1127
May	1165	1160	1160	1160
Jul	1194	1190	1185	1185
Sep	1224	1220	0	0
Dec	1259	1255	1262	1261
Mar	1295	1293	1295	1292
May	1323	1321	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.39	10.06	10.03	9.32
Mar	9.20	9.68	9.61	9.06
May	9.16	9.60	9.52	9.10
Jul	9.08	9.55	9.46	9.05
Oct	8.96	9.41	9.32	9.32

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	61.63	61.34	61.98	61.50
Dec	60.35	60.11	60.68	60.30
Mar	61.58	61.28	61.75	61.45
May	62.40	62.10	62.65	62.30
Jul	62.77	62.77	62.77	62.77
Oct	63.03	63.00	0	0
Dec	63.38	63.30	63.26	63.25

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.70	117.90	119.20	117.75
Nov	114.40	113.60	115.00	113.75
Jan	113.75	112.45	114.00	112.75
Mar	113.85	112.60	114.25	112.95
May	113.85	112.60	0	0
Jul	113.45	112.20	0	0
Sep	113.45	112.20	0	0
Nov	113.45	112.20	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul.29	Jul 28	mnth ago	yr ago
1546.8	1549.2	1555.1	1724.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul.28	Jul 27	mnth ago	yr ago
Spot	116.79	117.50	119.03	120.99
Futures	118.38	118.09	120.29	123.70

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	564/4	556/2	565/6	558/6
Sep	564/4	559/6	566/0	559/4
Nov	566/2	562/6	567/4	561/4
Jan	574/0	570/0	574/6	569/2
Mar	581/6	578/0	582/0	577/4
May	587/6	585/0	589/0	584/4
Jul	592/0	588/4	594/0	589/0
Aug	591/6	587/4	592/0	590/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.86	18.92	19.05	18.81
Sep	19.05	19.08	19.22	19.01
Oct	19.20	19.24	19.37	19.17
Dec	19.52	19.57	19.68	19.47
Jan	19.64	19.70	19.80	19.64
Mar	19.94	20.00	20.10	19.94
May	20.23	20.30	20.42	20.23
Jul	20.50	20.54	20.60	20.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	175.2	173.6	175.8	173.5
Sep	176.3	174.4	176.8	174.4
Oct	192.6	190.3	193.2	190.6
Dec	191.7	189.4	192.3	189.7
Jan	191.5	189.0	191.8	189.6
Mar	190.9	188.5	191.0	188.7
May	189.6	187.0	190.0	187.7
Jul	190.0	187.5	190.2	188.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	223/6	223/2	225/2	223/0
Dec	227/0	227/2	229/0	226/0
Mar	235/2	235/6	237/2	234/4
May	240/2	240/6	242/2	239/6
Jul	244/0	244/6	246/0	243/0
Sep	244/0	244/4	245/0	243/2
Dec	245/4	245/2	245/4	244/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	330/6	335/2	335/0	329/4
Dec	339/4	344/6	344/2	339/0
Mar	343/0	348/6	348/0	343/0
May	338/0	342/4	343/0	338/0
Jul	319/4	325/0	323/0	318/4
Sep	324/4	331/0	0	0
Dec	333/4	339/6	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.175	72.700	73.200	72.525
Oct	72.950	72.525	73.100	72.500
Dec	71.575	71.425	71.850	71.250
Feb	71.175	71.175	71.500	70.950
Apr	72.450	72.375	72.600	72.050
Jun	69.500	69.400	69.750	69.450
Aug	68.225	68.150	68.425	68.225

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	42.800	42.450	42.850	42.475
Oct	37.925	37.725	38.200	37.800
Dec	39.800	40.025	40.125	39.475
Feb	40.825	41.150	41.200	40.650
Apr	39.675	39.850	39.750	39.250
Jun	45.150	45.300	45.350	44.950
Aug	43.250	43.300	43.400	43.250
Oct	43.400	0	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	30.050	28.950	30.100	29.000
Feb	39.650	38.600	39.700	38.550
Mar	39.425	38.500	39.475	38.150
May	40.700	39.350	40.700	39.900
Jul	39.600	38.650	39.600	0
Aug.	39.600	38.750	39.600	0

LONDON STOCK EXCHANGE

Recovery aided by company results

By Terry Byland, UK Stock Market Editor

THE UK stock market, inspired by the newfound strength of Wall Street, followed other European bourses yesterday to register one of the best daily rises since the dramatic session which followed the re-election of Britain's Conservative government in April this year.

In the City of London, telephone wires were on full alert as traders asked one another if yesterday's rise of 49.8, taking the FT-SE well above the 2,400 mark once again and making a recovery of around 3.2 per cent since Monday night, meant that the bear market in UK stocks was finally over.

Good, or at least satisfactory, trading results from a number of well-known UK companies supported hopes that the painfully drawn-out recession in UK industry may be at last reaching its close. Technical factors were also favourable, with a leading UK investment bank buying both the stock index future and the underlying blue chips. Stock index futures traders were cheered by the first two-day uptick since May 8 in the Footsie September future contract, which closed at a good premium.

The overnight gain of nearly 52 points on the Dow Industrial Average in New York set the stage for a strong opening in London. The FT-SE Index gained 23.9 within minutes to challenge the 2,400 mark which, after a brief pause for consolidation of the early gains, was convincingly broken at mid-morning. The upward pace was encouraged by trading figures from BAT Industries and from BT (formerly British Telecom). Improvement at its Eagle Star insurance subsidiary helped BAT, as well as the rest of the insurance sector, while BT gained ground after reporting better results than expected.

London's optimism, supported by gains across the range of European stock markets, was soon encouraged afresh when Wall Street opened its new session with a gain of 37 points on the Dow.

By the close of business, the FT-SE Index was 49.8 up at 2,423.2, a shade below the best of the session. Seaq trading volume improved significantly to 566.1m shares. Tuesday's Seaq total of 446m shares reflected retail, or customer, business in equities worth only £817m, still an unexciting figure for the London market.

The day's trend was obscured by the activity in stock index futures as well as by at least two large trading programmes in the equity market itself. BZW, which took on substantial blocks of both Footsie and non-Footsie stocks on Monday in payment for Wellcome shares, was believed to be busy in stock index futures and may have sold stock into the stock market as well. However, a large buy programme moved across the trading screens just after 3.00pm.

Traders on the London stock market will be watching closely this morning when ICI discloses its interim trading results. Strategists have long argued that company results will provide the first reliable signs of economic recovery in the UK, but have not expected to see these appear before the end of next month. Some warned yesterday that the market's current rally was driven to some extent by oversold positions.

Account Dealing Dates

First Dealings:	Jul 27	Aug 10	Aug 24
Option Declarations:	Aug 6	Aug 20	Sep 3
Last Dealings:	Aug 7	Aug 21	Sep 4
Account Day:	Aug 17	Sep 1	Sep 14

*New time dealings may take place from 8.30 am two business days earlier.

Market pleased with BAT

A RECOVERY in Eagle Star's insurance business helped to lift the shares of parent BAT Industries by 22 to 786p yesterday. Turnover was strong at 6.5m shares.

Second quarter losses at Eagle Star were cut to £47m from £175m as the first quarter's improvement in the level of provisions required for repossessions in the housing market was maintained. Nevertheless, chairman Sir Patrick Sheehy said: "Continuing uncertainty over the UK economy is a cause for concern."

After raising the interim dividend to 14.6p from 13.4p, Sir Patrick commented that "this is consistent with our commitment to sustained dividend growth significantly in excess of the rate of inflation, and is a rate of increase that I expect to at least be maintained".

Growth in exports was the "most exciting" aspect of tobacco performance. Cigarette exports increased by 20 per cent and now account for a fifth of group cigarette sales.

Tate & Lyle hit

Profits downgrades hit Tate & Lyle, as the market showed increasing concern about overcapacity in production of the corn syrup sweetener used in soft drinks such as cola. Staley, T & L's US subsidiary, could be severely affected by this problem, according to analysts.

The shares weakened 11 to 293p on turnover of 2.8m after Hoare Govett lowered its profits forecast for the year to September to £210m from £235m, followed by cuts from several other brokers. Mr Carl Short, food analyst at Nomura, said that acting on a worst case assumption he is trimming the 1991/92 forecast to £207.6m from £232m. Last year's profits figure was £234.6m.

Properties weak

While the equity market shone for a second day, the maligned property sector took another knock as BZW reduced its net asset values (nav) for nearly all the leading stocks, arguing that property values will decline further this year and fall again in 1993.

While the reduction is based on the dimming signs of economic recovery, BZW also believes that a sharp fall in tenant enquiries since mid-May points to "the dismal prospect of declining rents well into 1993". As a result, the house's forecast of an average 8 per cent nav decline for this year is changed to 10 per cent, and the 5 per cent rise for 1993 has been altered to a 6 per cent fall.

All of the leading property stocks suffered on the BZW downgrades. British Land dipped 6 to 169p, Land Securities 3 to 373p and MEPC 10 to 243p. Hammerson was further undermined as talk in the market suggested that the group may soon be in breach of its covenants. The shares tumbled 19 to 239p.

Holiday blow

News that Airtours was considering dropping holidays to Euro Disney from its brochure came as a further blow to the Paris theme park, already reeling from poor attendance figures, forecasts of interim losses and the need to reduce its prices for winter.

Airtours blamed its decision on lack of demand, although more cynical observers pointed out that Euro Disney is about to start negotiations over its new price structure with British tour operators and suggested spoiling tactics by the UK tour group. Euro Disney declined 20 to 940p.

Mr Nigel Reed at Paribas said he remains a seller of Euro Disney even at this level, arguing that high costs and low margins will probably mean the company making losses for the next two years.

Meanwhile, other holiday groups continued to bask in the general sentiment that bookings have picked up. Airtours climbed 22 to 253p, Eurocamp 8 to 324p and Owners Abroad 3½ to 80p.

First quarter figures, well down on those of the comparable period last year but significantly higher than expected by market analysts, saw BT aggressively bought and finally 13 higher at 346p. Turnover in the "old" shares reached 15m, well above usual levels. This was also boosted by a single deal of 5.8m shares traded at 348½p as part of a programme trade, and another single trade of 3.2m shares. The partly-paid stock was also well supported, closing 12 ahead at 244p on turnover of 5.8m.

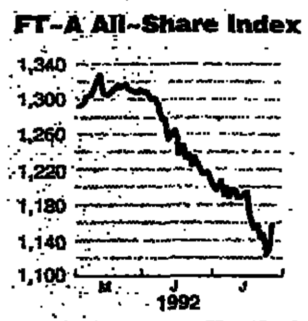
Lasmo shares, among the market's most volatile counters in recent weeks, blew hot and cold after the group revealed half-time figures. Worries over the interim dividend had brought heavy downside pressure recently.

However, the interim payout was maintained and profits were better than expected, sufficient reasons to bolster the share price, which initially raced up to 140p, before slipping back to 131¼ and closed a penny up at 134p. Turnover was a heavy 7.5m shares.

Some of the company's severest critics said it had put on a brave face in maintaining the dividend but had hit the balance sheet at the expense of the profit and loss account.

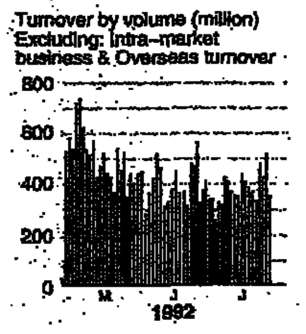
"These figures may look very good superficially, but that does not change the underlying weak fundamentals of the company," said one oil analyst.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Bank shares performed well, and were led up by Lloyds, which kicks off the interim results season tomorrow. The shares rose 10 to 419p on 4.4m traded. NatWest was also heavily supported, closing 8 better at 330p on 6.5m. The recent buy note from one of the London market's most influential securities houses lifted HSBC 8 more to 338p on very heavy turnover of 11m.

Lloyds Abbey Life delivered one of the poorest performances in the Footsie list, the shares sliding 10, or 2.8 per cent, to 345p after disappointing interim figures and, more importantly according to the market, poor new business figures.

Wall Street buying helped Glaxo, the shares racing ahead 19 to 730p.

The transatlantic battle in BP shares flared up again as one of the big US brokerages, believed to be PaineWebber, was said to have moved in as a heavy buyer. Many UK broking concerns have been keen sellers of BP amid worries that the group may cut the quarterly dividend by up to 50 per cent when it announces figures a week from today.

The US buyers had the upper hand for much of the session, driving BP to a closing level of 216¼p for a net gain of 8½p, a significant outperformance among the Footsie stocks.

Turnover was a hefty 19m shares, a figure boosted by a series of large trades, including a block of 4.2m at 214¾p, as part of a programme trade, and a line of 2.2m traded at 216p.

MARKET REPORTERS: Colin Millham, Christopher Price, Steve Thompson.

■ Other market statistics, Page 18

FINANCIAL TIMES STOCK INDICES

	July 29	July 28	July 27	July 24	July 23	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.00	89.12	89.17	89.19	89.19	84.98	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.77	105.83	105.84	105.80	105.78	94.04	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1815.1	1785.6	1767.0	1789.1	1808.1	2003.9	2149.7 (22/5)	1767.0 (27/7)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	93.0	91.5	90.5	93.1	93.6	198.9	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2423.2	2373.4	2348.0	2377.2	2399.5	2588.8	2737.8 (11/5)	2348.0 (27/7)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1112.56	1090.65	1087.01	1088.40	1094.87	1171.16	1248.79 (11/5)	1087.01 (27/7)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	5.11	5.19	5.25	5.17	5.11	4.72				
●Earning Yld %(full)	7.37	7.51	7.60	7.48	7.39	8.11				
●P/E Ratio(Net)(*)	17.07	16.76	16.57	16.84	17.03	15.23				
SEAQ Bargns 5.00pm	20,284	18,008	18,856	22,099	19,583	28,625				
Equity Turnover(£m)†	-	617.0	1273.1	977.5	976.0	855.4				
Equity Bargains†	-	20,373	21,333	25,046	22,120	29,669				
Shares Traded (ml)†	-	355.4	525.6	431.5	490.9	374.0				

Basis 100 Govt Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ● Nil 15.85

Ordinary Share Index, Hourly changes — Day's High 1817.0 — Day's Low 1792.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1801.9	1796.2	1805.3	1802.7	1803.3	1807.0	1808.0	1816.8	1813.1

FT-SE 100, Hourly changes — Day's High 2424.3 — Day's Low 2386.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2397.3	2392.7	2400.3	2401.3	2401.1	2407.3	2410.4	2422.9	2420.3

FT-SE Eurotrack 200, Hourly changes — Day's High 1112.56 — Day's Low 1101.03

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1101.03	1101.80	1102.09	1103.92	1104.49	1106.64	1110.42

GILT EDGED ACTIVITY

Indices*	July 28	July 27
Gilt Edged Bargains	89.4	87.6
5 – Day average	97.3	97.0

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel 0891 123001 Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ACT	1	448	-3	Comm Union	1,700	427	+15	Lonrho	718	82	-1	Shell Transport	4,300	469	+13
ASDA Group	2,830	25½		Cookson	1,200	142	+5	Lucas	2,100	107	-3	Siebe	1,200	647	+20
Abbey National	3,100	267	+5	Courtaulds	1,200	454	+1	MB Caradon	1,100	247	+12	Slough Ests	1,400	117	-2
Albert Fisher	1,400	37½	-½	Dalgety	606	397	+5	MEPC	572	242	-10	Smith (WH) A	2,600	392	+19
Allied-Lyons	2,600	515½	+13½	De La Rue	384	578	+6	Meyweb	578	325	-3	Smith & Nephew	1,100	132½	+½
Amstrad	3,100	24½	-1½	Dixons	2,100	213	+9	Marks & Spencer	3,600	319	+6	SmKl Beecham	4,400	467	+9
Anglian Water	1,200	354	-2	Eastern Elec	812	267	-1	Midlands Elec	983	295	+3	SmKl Beecham Uts	2,000	424	+9
Argos	52	233	+6	East Midland Elec	859	277	-1	NFC	1,300	238	-5	Sterling Inds	643	270	-2
Argyll Group	4,300	245	+9	Eng China Clays	1,400	474	+26	NatWest Bank	6,500	330	+8	Southern Elec	968	281	
Arjo Wiggins	640	218	+1	Enterprise Oil	1,800	323	-5	National Power	3,800	235	+3	South Wales Elect	1	308	-2
Ass. Brit. Foods	548	376	-2	Eurotunnel Units	448	324	+9	Next	2,500	32	-2	South West Water	153	395	+½
[illegible]															
British Land	1,000	166	-6	Kingfisher	3,000	459	+15	Royal Insurance	1,300	197	+12	Wellcome	3,900	807	+5
British Steel	3,300	55½	+2	Kwik Save	172	648	+7	Saatchi	137	126	+2	Welsh Water	438	443	+5
Bunzl	675	87	+1	Ladbroke	3,900	179	+2	Sainsbury	4,200	452	-11	Wessex Water	114	491	+1½
Burmah Castrol	232	525	+3	Land Securities	952	373	-3	Scottish & New	1,400	439	+5	Whitbread 'A'	1,600	427½	+9½
Burton	7,900	35	+1	Laporte	462	533	-2	Scot Hydro-Elect	2,600	305	-3	Williams Hldgs	1,300	265	+8
Cable & Wire	6,100	525	+2	Legal & General	1,000	345	+10	Scottish Power	5,100	189	+1	Wills Corroon	1,200	217	+9
Cadbury Schweppes	3,100	472	+13	Lloyds Abbey	1,100	345	-10	Sears	5,400	77	-3	Wimpey	11	107	+2
Calor Group	79	179		Lloyds Bank	4,400	419	+10	Sedgwick	585	167	-1	Wolseley	340	312	+8
Carlton Comms	944	573	+5	LASMO	8,900	134	+1	Seeboard	151	304	-1	Yorkshire Elect	918	336	-6
Coats Viyella	2,400	176	+4	London Elect	117	286	-2	Severn Trent Water	1,200	384		Yorkshire Water	150	437	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

BUYERS returned to the stock index futures as both technical and market factors combined to cause a surge in a busy session, writes Christopher Price.

The September contract on the FT-SE opened weakly, at 2,399, as traders were lulled into believing that Tuesday's bounce in the market was a technical one and that yesterday promised a corresponding downturn. However, the strong equities market was quickly underpinned by a big order from BZW, which became the signal for other buyers to take advantage of what had been a sellers' market. September began to race ahead, tranforming a 10-point fair value discount to a similar premium within half-an-hour. Many of the small independent traders were said to be caught short by the buying binge, as were some larger houses.

September continued to be squeezed up into the afternoon session and a strong Wall Street helped sentiment. The contract closed at 2,445, 58 ahead of its previous close and around a 10-point premium to its fair value of around 12.

In traded options, business was also brisk, with 28,240 contracts being dealt, a third up on Tuesday's session. British Airways led the stock options, with 1,243 contracts, the October 300 series top.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jul 29 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Jul 28 Index No.	Mon Jul 27 Index No	Fri Jul 24 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (176)	738.27	+1.7	7.99	6.08	15.98	20.52	726.27	727.17	737.80	828.79
2 Building Materials (22)	788.31	+2.5	6.88	7.11	19.74	25.58	769.13	768.95	783.22	1058.54
3 Contracting, Construction (28)	640.31	+0.7	5.43	9.33	40.57	25.20	636.07	639.65	657.44	1143.53
4 Electricals (9)	2183.62	-1.3	7.92	6.93	16.36	68.82	2212.88	2233.13	2257.90	2448.00
5 Electronics (28)	1892.96	+0.9	8.53	4.60	14.62	45.48	1876.33	1884.15	1907.18	1689.87
6 Engineering-Aerospace (6)	299.84	+1.9	12.15	8.69	10.42	11.27	294.30	300.41	301.86	420.99
7 Engineering-General (43)	452.95	+0.6	9.09	5.32	13.62	11.44	450.33	450.15	458.23	453.41
8 Metals and Metal Forming (7)	294.00	+1.8	5.69	7.49	25.75	7.18	288.85	281.03	280.74	430.19
9 Motors (14)	311.11	+1.2	8.53	7.56	15.42	10.14	307.50	310.66	311.37	320.12
10 Other Industrial Materials (19)	1596.69	+2.6	7.76	5.20	15.52	38.28	1556.87	1554.29	1580.38	1604.52
21 CONSUMER GROUP (189)	1550.32	+1.6	7.89	3.71	15.56	26.58	1526.13	1509.07	1524.72	1522.73
22 Brewers and Distillers (24)	1987.42	+1.6	8.33	3.68	14.49	37.26	1955.44	1921.55	1945.12	1842.16
25 Food Manufacturing (19)	1179.83	+1.0	9.14	4.48	13.53	26.01	1167.65	1158.36	1176.32	1201.96
26 Food Retailing (18)	2762.60	+1.5	8.83	3.30	14.76	44.70	2720.63	2701.32	2720.59	2730.71
27 Health and Household (24)	3829.47	+1.9	7.24	2.79	15.73	37.92	3758.02	3741.99	3753.10	3633.56
29 Hotels and Leisure (18)	1108.91	+1.7	7.24	6.17	17.95	33.45	1090.08	1069.49	1092.46	1296.79
30 Media (27)	1444.76	+0.8	7.15	3.67	17.36	27.19	1433.39	1406.57	1438.41	1431.17
31 Packaging, Paper & Printing (17)	723.06	+0.4	7.13	4.57	17.00	14.76	720.47	712.10	723.80	747.64
34 Stores (33)	994.09	+2.1	7.58	3.75	17.43	16.96	973.64	959.53	966.53	988.59
35 Textiles (9)	619.29	+1.5	7.84	5.01	15.90	14.72	610.14	609.46	612.51	587.14
40 OTHER GROUPS (118)	1201.58	+1.7	8.25	5.49	14.80	31.17	1181.79	1174.70	1193.39	1260.07
41 Business Services (17)	1261.66	+3.0	6.66	4.09	18.33	21.03	1224.83	1194.73	1220.10	1337.92
42 Chemicals (22)	1307.84	+0.9	8.06	5.56	15.13	33.10	1296.50	1293.14	1322.11	1433.86
43 Conglomerates (11)	1196.93	+1.5	10.41	7.87	12.05	24.83	1178.78	1163.13	1174.70	1452.29
44 Transport (14)	2232.72	+1.7	8.84	5.28	13.96	55.92	2195.83	2177.49	2197.41	2245.22
45 Electricity (16)	1290.91	+0.3	15.36	5.68	8.24	38.33	1287.44	1298.67	1312.12	1217.92
46 Telephone Networks(4)	1390.03	+2.9	2.26	4.75	53.10	46.12	1351.29	1341.91	1373.76	1520.01
47 Water(11)	2725.95	-0.1	16.43	6.35	6.73	86.85	2729.07	2717.36	2743.42	2337.90
48 Miscellaneous (23)	1974.00	+2.2	6.72	4.99	18.67	29.19	1931.83	1917.10	1939.10	2002.20
49 INDUSTRIAL GROUP (483)	1235.45	+1.6	8.02	4.69	15.38	26.94	1215.68	1206.74	1222.30	1269.55
51 Oil & Gas (17)	1895.18	+2.6	8.13	7.51	16.10	63.73	1848.00	1825.87	1836.17	2483.22
59 500 SHARE INDEX (500)	1298.55	+1.7	8.03	4.98	15.45	29.89	1276.61	1266.62	1282.04	1372.36
61 FINANCIAL GROUP (85)	694.25	+1.8	-	6.49	-	20.17	681.68	671.44	680.97	808.71
62 Banks (9)	936.23	+1.9	7.05	5.84	20.13	24.58	918.53	898.79	914.41	935.57
65 Insurance (Life) (6)	1457.65	+3.4	-	6.11	-	44.26	1409.46	1381.68	1401.13	1539.81
66 Insurance (Composite) (7)	439.68	+3.6	-	7.91	-	13.46	424.20	418.66	424.37	653.95
67 Insurance (Brokers) (10)	765.37	+1.8	10.13	8.48	12.99	30.14	752.21	742.44	748.43	1149.47
68 Merchant Banks (7)	429.60	+0.3	-	5.03	-	11.25	428.23	431.64	433.57	436.88
69 Property (31)	551.28	-1.7	10.56	8.31	12.81	20.31	560.63	564.53	568.71	923.96
70 Other Financial (15)	233.80	+1.1	7.76	7.39	17.44	6.63	231.32	230.93	232.70	248.99
71 Investment Trusts (70)	1089.23	+1.3	-	4.12	-	20.64	1075.77	1074.88	1082.61	1224.22
99 ALL-SHARE INDEX (655)	1153.43	+1.7	-	5.15	-	27.23	1133.89	1124.19	1138.01	1235.89

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 28	Jul 27	Jul 24	Jul 23	Jul 22	Year ago
FT-SE 100 SHARE INDEX‡	2423.2	+49.8	2424.3	2386.5	2373.4	2348.0	2377.2	2399.5	2387.9	2588.8

FIXED INTEREST

PRICE INDICES	Wed Jul 29	Day's change %	Tue Jul 28	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (24)	121.24	-0.06	121.31	1.41	7.91
2 5-15 years (26)	137.89	-0.20	138.16	1.78	8.37
3 Over 15 years (8)	150.14	-0.25	150.52	3.75	7.36
4 Irredeemables (6)	169.31	+0.02	169.27	2.37	7.34
5 All stocks (64)	135.30	-0.16	135.51	1.68	8.24
Index-Linked					
6 Up to 5 years (2)	173.06	+0.06	172.96	1.24	1.83
7 Over 5 years (10)	149.76	-0.06	149.85	0.49	3.09
8 All stocks (12)	151.78	-0.05	151.85	0.59	2.90
9 Debs & Loans (62)	121.49	-0.21	121.74	2.93	6.27

AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 29	Tue Jul 28	Year ago (approx.)
British Government				
1 Low Coupons	5 years	8.41	8.36	9.03
2	15 years	8.80	8.77	9.84
3	20 years	8.84	8.77	9.84
4 Medium Coupons	5 years	9.32	9.27	10.23
5	15 years	8.99	8.96	10.04
6	20 years	8.95	8.91	9.98
7 High Coupons	5 years	9.53	9.49	10.40
8	15 years	9.18	9.14	10.16
9	20 years	9.09	9.06	10.06
10 Irredeemables		9.03	9.03	10.03
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	4.20	4.21	4.42
12 Inflation rate 5%	Over 5 yrs	4.48	4.48	4.39
13 Inflation rate 10%	Up to 5yrs	3.45	3.45	3.48
14 Inflation rate 10%	Over 5 yrs	4.30	4.29	4.19
15 Debs & Loans	5 years	10.59	10.57	11.90
16	15 years	10.34	10.31	11.67
17	25 years	10.20	10.17	11.45

[illegible]

NEW HIGHS AND LOWS FOR 1992

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100⅛xd	—	101⅛	100⅛	12.22	—
13½pc 1992		100⅞	—	102⅛	100⅞	13.44	9.86
Treas 8¼pc 1993		99¼xd	—	99⅜	97½	8.31	9.55
10pc 1993‡‡		100⅛	—	100½	98½	9.98	9.96
12½pc 1993‡‡		102⅜	-⅛	103½	101½	12.21	9.79
Funding 6pc 1993‡‡		97	+⅛	97½	95⅞	6.18	8.79
Treas 13¾pc 1993‡‡		104½	-⅛	106½	104⅛	13.13	9.77
8½pc 1994		98⅝xd	—	99⅛	96⅛	8.62	9.50
14½pc 1994‡‡		106½xd	-⅛	109⅛	106½	13.56	9.76
Exch 13½pc 1994		105½	-⅛	107½	105⅛	12.74	9.69
Treas. 10pc Ln. 1994‡‡		100½	-⅛	101⅝	98½	9.93	9.55
Exch 12½pc 1994		105¼xd	-⅛	106⅛	103½	11.88	9.64
Treas 9pc 1994‡‡		99	-⅛	99½	96⅝	9.09	9.45
12pc 1995		105¼xd	-⅛	106½	103⅜	11.40	9.55
Exch 3pc Gas 90-95		93¼	—	94½	88¼	3.22	5.57
10¼pc 1995		101½	-⅛	103¼	99⅛	10.08	9.49
Treas 12¾pc 1995‡‡		108½	-⅛	110½	106⅝	11.70	9.43
14pc 1996		112⅛	-⅛	114⅛	110⅛	12.44	9.67
9pc 1992-96‡‡		99⅛	-⅛	100⅛	96⅛	9.09	9.23
15¼pc 1996‡‡		117⅛	-⅛	119⅛	114½	13.08	9.63
Exch 13¼pc 1996‡‡		111¼	-⅛	112⅞	108½	11.91	9.62
Conversion 10pc 1996		102	-⅛	103⅜	98½	9.80	9.39
Treas 13¼pc 1997‡‡		113⅛	-⅛	114½	110⅛	11.72	9.56
Exch 10½pc 1997		104⅛xd	-⅛	105½	100½	10.09	9.36
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		98xd	-⅛	99⅛	94	8.93	9.25
8¾pc 1997 D		98¼xd	—	99⅛	98⅛	8.91	9.25
Exch 15pc 1997		121⅛	-⅛	123½	118⅛	12.34	9.54
9¾pc 1998		101½	-⅛	103⅛	97½	9.56	9.28
Treas 6¾pc 1995-98‡‡		91½	-⅛	93⅛	86½	7.38	8.61
15½pc '98‡‡		127⅛	-⅛	129⅛	123⅛	12.18	9.53
Exch 12pc 1998		112⅛	-⅛	113¾	107½	10.71	9.40
Treas 9½pc 1999‡‡		102⅛	-⅛	103⅜	97⅛	9.30	9.05
Exch 12¼pc 1999		113⅞	-⅛	115⅛	109½	10.78	9.39

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		105⅛	-⅛	107½	101½	9.89	9.24
Conversion 10¼pc 1999		105⅛	-⅛	106½	100½	9.74	9.24
9pc 2000‡‡		99⅝xd	-¼	100½	94⅝	9.03	9.07
9% 2000 C		99½xd	—	100½	98½	9.04	9.07
Treas 13pc 2000		119½	-⅛	121⅛	114½	10.89	9.46
10pc 2001		104½xd	-⅛	106¼	99½	9.54	9.16
14pc '98-01		119⅛	-⅛	121	115½	11.74	9.58
9¾pc 2002		104xd	-⅛	105⅜	98⅛	9.38	9.12
9¾p 2002 C		104xd	—	105⅜	98⅛	9.38	9.12
10pc 2003		106	-⅛	107⅛	100⅛	9.43	9.12
10pc 2003 B		106⅛	-⅛	107⅝	105⅛	9.43	9.12
Treas 11½pc 2001-04		112⅛	-⅛	113½	107⅛	10.25	9.39
Funding 3½pc '99-04		68⅜	-½	68½	59½	5.27	7.89
Conversion 9½pc 2004		103⅛	-⅛	104½	96½	9.22	9.07
9½pc 2005		103⅛	-⅛	104½	96½	9.21	9.06
Treas 12½pc 2003-05		122⅛	-½	124⅝	116⅛	10.24	9.30
8pc 2002-06‡‡		91⅛	-⅛	92	85½	8.74	9.05
Treas 11¾pc 2003-07		116⅛	-⅛	118½	110½	10.11	9.28
Over Fifteen Years							
Treas 8½pc 2007‡‡		96⅛	-⅛	97⅛	89½	8.85	8.97
8½pc 2007 A		95½xd	—	97⅛	89½	8.89	8.84
13½pc '04-08		128½	-½	132⅛	123½	10.42	9.29
9pc 2008‡‡		100⅛	-¼	101½	93½	8.85	8.92
8pc 2009		91½	-⅛	93½	85⅛	8.71	8.92
Conv 9pc Ln 2011‡‡		100½	-⅛	102½	93½	8.92	8.90
Treas. 9pc 2012		101⅛xd	-⅛	102⅛	93½	8.91	8.88
9pc 2012 A		71⅛	-⅛	72½	69⅛	8.91	8.88
Treas 5½pc 2008-12‡‡		69½	-⅛	70½	62⅞	7.91	8.74
7¾pc 2012-15‡‡		89⅛xd	-⅛	90½	81½	8.69	8.86
Exch 12pc '13-'17		128½	-⅛	130½	120¼	9.34	8.97
Treas 8¾pc 2017		99¼xd	-½	101	97¼	8.94	8.82
Undated							
Consols 4pc		43½xd	—	44⅛	39⅞	9.13	—
War Loan 3½pc‡‡		38½	—	39⅜	35⅛	8.98	—
Conv 3½pc '61 Aft		62½	—	62⅞	59	5.60	—

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 3pc '66 Aft		32⅛	—	32⅝	29½	9.27	—
Consols 2½pc		27½	—	27½	24½	9.03	—
Treas. 2½pc		27½	—	27¾	24½	9.09	—
Index – Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	127	+⅛	127⅛	122⅛	2.68	4.13
2pc '96	(67.9)	182½	+⅛	184¾	176⅜	3.58	4.24
2½pc '01	(78.3)	146⅛	+⅛	148½	143	4.28	4.60
2½pc '03	(78.8)	141⅛	—	144½	138⅛	4.30	4.58
2pc '06	(69.5)	143½	-⅛	147⅛	139⅛	4.34	4.56
2½pc '09	(78.8)	131	-⅛	134¼	126⅛	4.34	4.54
2½pc '11	(74.6)	135¼xd	-⅛	138½	129¾	4.32	4.51
2½pc '13	(89.2)	111⅛xd	-⅛	114⅛	108⅛	4.32	4.48
2½pc '16	(81.6)	118½xd	-⅛	121⅞	112⅞	4.28	4.45
2½pc '20	(83.0)	113½	-⅛	117⅛	107½	4.27	4.41
2½pc '24‡‡	(97.7)	94⅛	-⅛	97⅛	88⅞	4.23	4.37
4⅛pc '30‡‡	(135.1)	98⅛	-⅛	99⅛	96	4.28	4.34

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1991, 135.7 and for June 1992, 139.3

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Afrcan Dev 11⅛ 2010		114⅛	-⅛	115½	105⅞	9.74	9.44
Asian Dev 10¼pc 2009		107½	-⅛	109½	100⅞	9.49	9.29
B'ham 11½pc 2012		112¼	-¼	113½	102¼	10.24	10.05
Ireland Cap 8½pc '10		89½	-½	90⅛	88⅜	9.58	—
9pc Cap 1996		92½	-¼	99¼	90	9.73	—
13pc '97-02		105¾	-¼	116½	103⅞	12.29	—
Hydro Quebec 15pc 2011		138½	-⅛	141½	130⅞	10.73	10.19
Leeds 13½pc 2006		124	-¼	125	116¼	10.88	10.29
Liverpool 3½pc Irred		32½	—	33¼	30	10.77	—
LCC 3pc '20 Aft		30½	—	30¾	27	9.84	—
Manchester 11½pc 2007		110¼	-¼	111¼	103¼	10.43	10.18
Met. Wtr. 3pc 'B'		60½	—	61	53	4.96	8.60
N'wide Anglia 3⅞pc 2021		109	-¼	111¼	103¼	—	5.45
4¼pc IL 2024		108½xd	-½	118¼	103¼	—	5.20
Utd Mex States 16½pc 2008		123¾	+¼	126	121½	13.33	12.94

PUBLIC NOTICES

NOTIFICATION PUBLISHED BY THE SECRETARY OF STATE UNDER SCHEDULE 2 OF THE LICENCE FOR THE RUNNING OF BRANCH TELECOMMUNICATION SYSTEMS AND UNDER SCHEDULE 2 OF THE LICENCE FOR THE RUNNING OF SELF PROVIDED TELECOMMUNICATION SYSTEMS

The licence entitled the "Class licence for the running of branch telecommunications systems" granted by the Secretary of State under the Telecommunications Act 1984 (the "Act") on 8 November 1989 is hereby revoked on 1 September 1992. This will be replaced by the Class licence to run branch systems to provide telecommunication services granted by the Secretary of State on 15 July.

The licence entitled "Class licence for the running of self provided telecommunication systems" granted by the Secretary of State under the Act on 2 August 1991 is also hereby revoked, and this revocation will not come into force until 1 September 1992 or the date when a successor licence comes into force, if later.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
Abbott Labs	h	15¾xd	+⅛	19⅛	14⅝	13,382	2.0
Allegheny & W		304p	+23	336p	220p	158.0	5.2
Amdahl		708p	-33	1159p	705p	791.0	0.7
Amer Cyanamid		31⅝	+⅝	37	26⅝	2,888	2.8
Amer Express		11[illegible]xd	+[illegible]	13⅞	10[illegible]	5,870	4.4
Amer T & T		22[illegible]xd	+¼	24⅞	20⅛	29,926	3.1
Ameritech		35½	+¾	39[illegible]	32½	15,543	5.2
BankAmerica		23¼xd	+1	27⅛	19[illegible]	8,146	2.9
Bankers NY		31⅛xd	+⅛	37¼	28⅞	2,808	4.7
Bell Atlantic		24⅝	+⅛	26¾	23⅛	10,688	5.5
BellSouth		28⅞	+⅛	29⅛	25	13,136	5.4
Bethlehem Steel		8[illegible]xd	+[illegible]	9⅝	6⅞	531.0	–
Bowater		1036pxd	-1	1679p	1016p	371.4	6.1
CPC	h	24[illegible]xd	+[illegible]	25¾	22⅛	3,777	2.5
Cadiz Land Inc		178p	----	342p	168p	–	–
California Engy		622p	----	633p	599p	113.2	–
Campbell Soup		19¼xd	+½	23[illegible]	17⅞	4,632	2.1
Chase Manhattan		12[illegible]xd	+[illegible]	16½	9⅛	1,018	4.9
Chrysler		11[illegible]xd	+¾	11½	6¼	3,267	2.8
Citicorp		10⅛xd	-⅛	11¼	5⅞	3,651	–
Colgate-Palm		27xd	+⅞	29[illegible]	25¼	4,238	2.4
Cont'l Bank		913p	+6	1036p	499p	922.6	3.4
Dana		20¾xd	+⅛	24½	14[illegible]	838.1	4.0
Data General		453p	-1	1084p	386p	125.0	–
Decora Inds		184p	----	122p	66p	–	–
Dun & Brad		30	+⅛	33½	27⅝	5,352	4.0
Eaton		39⅞	+1⅛	45½	32½	1,371	2.9
Echlin		10⅛xd	+[illegible]	11	7⅞	565.4	3.6
FPL		19¼xd	+[illegible]	20	18⅛	3,337	6.6
Fluor		28⅞	+½	27	19¼	1,893	1.0
Ford Motor		23⅝xd	+[illegible]	26⅞	15	11,478	2.2
Gen Elect		39¼xd	+[illegible]	46¼	38[illegible]	33,916	3.1
General Host		460p	+8	555p	360p	–	4.1
Gillette		27xd	+¼	29⅞	23[illegible]	5,923	1.4
Hasbro		15½	+½	16	12⅝	1,335	0.7
Honeywell		33⅛xd	+[illegible]	43	33[illegible]	2,330	2.6
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock."
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♠ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed, dealings permitted under Rule 535(2)
- ♦ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♣ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ✦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. j Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Brown Shipley & Co Ltd – Contd.

Crown Unit Tst Services Ltd – Contd.

Gartmore Fund Managers – Contd.

Kleinwort Benson Unit Trusts – Contd.

Mercury Fund Managers Ltd – Contd.

Pearl Unit Trusts Ltd (1000)F

Save & Prosper Group (0900)H

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 46p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ¥	5	240.8	240.8	264.3	+0.3	0.89
(Accum Units) ¥	5	292.8	292.8	311.1	+0.4	0.89
British	5	760.2	776.4	821.4	+4.4	6.55
(Accum Units)	5	1224.9	1302.0	1377.5	+7.4	6.55
European	5	320.8	320.8	350.2	+0.7	1.38
(Accum Units)	5	356.4	356.4	370.6	+0.7	1.38
Japan	5	79.53	79.53	84.54	-1.76	-
(Accum Units)	5	80.17	80.17	85.22	-1.77	-
New Pacific	5	193.4	194.5	207.1	+1.7	1.70
(Accum Units)	5	200.9	202.1	215.2	+1.8	1.70
Income Tst Jun 12	0	130.1	133.1	141.1	.....	-
Mngd Equity	5	121.9	125.7	130.2	+4.5	2.96
Mngd Equity Acc	5	131.4	132.7	140.4	+4.9	2.96
Mngd Cash	0	95.89	95.89	95.89	+0.01	9.56
(Accum Units)	0	122.5	122.5	122.5	.....	9.56
Majority Stdg	1	100.88	102.00	101.00	+0.01	9.40
Majority Stdg Acc	1	112.80	112.80	113.93	+0.01	9.40

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

International Jul 15	0	48.02	48.02	48.40	.....	1.53

Sun Alliance Unit Tst Mngmt Ltd (1200)F
St Mark's Court, Horsham 0403 232323

Equity	6	577.9	584.7	628.4	+6.5	3.28
North America	6	74.97	74.97	80.18	+1.10	0.63
Far East	6	76.28	76.28	81.58	-0.72	0.59
W'wide Bond	6	47.43	47.43	50.46	+0.05	6.16
European	6	64.38	64.38	68.86	+0.77	1.57
Equity Income	6	63.61	64.44	68.92	+1.99	5.53
Portfolio	6	53.72	53.72	57.45	+0.59	1.97
UK Leading Cos	6	41.58	42.16	44.85	+0.25	3.37
Broker Trusts						
Insul Equity	6	40.87	42.64	44.54	-0.05	3.06

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basing View, Basingstoke, Hants 0800 525725

American Growth	6	24.64	24.64	26.38	+0.26	0.46
Managed Assets	6	95.55	96.15	102.84	+0.91	4.55
UK Income	6	29.04	29.37	31.42	+0.46	5.30
UK Growth	6	29.78	30.09	32.19	+0.48	3.44
Worldwide Growth	6	21.23	21.23	22.71	+0.03	1.34

Sun Life Trust Mngmt Ltd (1200)H
101, Cannon St, London EC4N 5AD

Lazard Investors Ltd ##
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Jul 29	£3799.5	3970.3	-49.10	3.71
European Jul 29	£552.7	557.9	-11.60	2.05
American Jul 29	£323.4	326.2	-0.30	1.83
Japan Jul 29	£338.5	343.1	-23.90	1.90
Pacific Jul 29	£133.4	136.5	-4.90	1.27
W Midlands Jun 30	£126.30	141.40	.....	2.69

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

Property Jun 30	189.30	193.10	.....	8.25
Equity Jun 30	856.95	848.95	.....	4.06

* Available only to Local Authorities

M & G Securities Ltd

Charibond Jul 28		106.44	-0.1	10.19
(Accum Units)		661.64	-0.6	10.13
NAACIF Jul 28		40.25	-0.5	9.41

Morgan Grenfell Investment Funds Ltd
Exempt Funds

UK Equity † Jul 28	121.0	130.0	.....	2.10
UK Small Co † Jul 28	461.1	508.7	.....	3.94
Fixed Interest † Jul 28	111.6	117.4	.....	8.82
US Small Co Jul 28	137.8	147.4	.....	0.00
Managed Jul 28	103.1	108.3	-2.40	3.70
Intl Bond Jul 28	123.0	129.7	.....	9.92
Japan Jul 28	51.08	54.42	.....	3.85
European Jul 28	86.36	92.70	.....	1.80
Nth American Jul 28	102.1	110.0	.....	1.42

Morgan Stanley International

UK Exempt	£1042.61	1068.94	.....	-
Overseas Exempt	£939.23	967.83	.....	-

Murray Johnstone UT Mngmt
Murray Exempt Funds

American Exempt	48.10	49.98	+0.43	1.61
European Exempt	47.39	49.07	+0.31	3.04
Fixed Int Ex Jul 29	47.15	47.60	+0.21	9.27
Japan Exempt	29.53	30.45	-0.73	0.96
Managed Ex Jul 23	42.63	43.77	.....	4.36
SE Asia Exempt	73.06	76.31	+0.07	2.14
Sm Cos Expt Jul 29	31.93	33.53	-0.95	3.69
UK Eqty Ex Jul 29	38.98	40.61	-1.35	4.46

Phillips & Drew Fund Management Ltd

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	135.5	142.7	+0.1	-
Property Acc. (Gross)	258.3	271.9	+0.1	-
Equity (Gross)	820.4	863.6	+11.1	-
Managed (Gross)	583.7	614.4	+5.4	-
Property Acc. (Net)	123.5	130.0	+0.1	-
Equity (Net)	191.5	201.6	+2.4	-
Adventurous Managed	87.9	92.5	-0.1	-
Managed (Net)	180.3	189.8	+1.5	-
Cautious Managed	96.2	101.3		-
International (Net)	151.4	159.4	+0.4	-
Gilt & Fixed Interest	142.4	149.9	-0.6	-
Money Fund	140.6	148.0		-
Mixed Fund (Cap)	111.8	117.9	..	-
Mixed Fund (Acc)	116.3	122.5	..	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	631.4	664.7	+4.9	-
Ret Man (Series 2)	214.2	225.5	+1.7	-
Ret Cash	198.6	209.1	+0.1	-
Pens Mixed Fd (Cap)	123.5	130.0	.....	-
Pens Mixed Fd (Acc)	128.5	135.3	.	-
Pens Stlg Fd (Cap)	104.0	109.5	.	-
Pens Stlg Fd (Acc)	108.2	113.9	.	-

For Pioneer Mutual see Swiss Pioneer

	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road Haywards Heath 0444 458721				
American	126.0	133.0	+1.0	-
Building Soc Fd	224.0	236.0		-
Balanced	355.0	369.0	.....	-
European	202.0	213.0	+1.0	-
GT Managed	177.0	187.0	..	-
Gartmore Mngd	116.0	123.0	+1.0	-
German	127.0	134.0	+1.0	-
Gilt	169.0	178.0	.	-
Global	37.0	39.0	..	-
International Equity	185.0	195.0	+1.0	-
Japan	134.0	142.0	-2.0	-
Leisure	48.0	51.0	.	-
Managed	41.0	44.0	.	-
Property	294.0	310.0		-
UK Equity	238.0	251.0	..	-
Pension Funds				
American	242.0	255.0	+2.0	-

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn. - Contd.				
Pension Funds				
Managed Ord	441.5	464.7	+2.1	-
Managed Init	321.3	338.2	+1.5	-
Equity Ord	670.0	705.3	+5.5	-
Equity Init	487.6	513.3	+4	-
Pen Ind Lkd Gilt Ord	186.4	196.2	-0.4	-
Pen Ind Lkd Gilt Init	141.6	149.1	-0.4	-
Overseas Equity Ord	278.9	293.6	+1.2	-
Overseas Equity Init	203.0	213.7	+0.9	-
Property Ord	281.4	296.2	+0.1	-
Property Init	204.7	215.5		-
Fixed Interest Ord	293.3	308.7	-0.5	-
Fixed Interest Init	213.5	224.7	-0.4	-
Deposit Ord	270.7	284.9	+0.1	-
Deposit Init	197.0	207.4	+0.1	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Jul 29	244.1	254.3	-3.6	-
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Jul 22	£178.34	184.05	.	-
Equity Jul 22	£204.32	211.31		-
International Jul 22	£25.24	25.93	.	-
Intl Bond Jul 22	£14.23	14.44		-
Fixed Int Jul 22	£106.17	107.37		-
Index Linked Jul 22	£76.16	77.12	...	-
Property Jul 22	£109.77	115.83	.	-
Cash Jul 22	£30.9895	30.9895	. .	-
Pru-Linked Retirement Plan				
Managed Jul 29	418.5	436.0	-9.2	-
Cash Jul 29	285.1	297.0	+0.5	-
Prudential Pensions Investment Account				
Pens Mngd Jul 29	170.0	182.8	+2.4	-
Pens UK Eq Jul 29	299.8	323.3	+6.1	-
Pens Intl Jul 29	179.9	192.8	+0.7	-
Pens Global Eqty Jul 29	93.8	98.8	+1.4	-
Pens Fixed Jul 29	241.4	254.8	-0.3	-
Pens Index Lk Jul 29	193.6	204.4	-0.8	-
Pens Property Jul 29	89.7	94.5		-
Pens Cash Jul 29	186.0	195.9	+0.1	-
Money Purchase Plan				

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
Intl Grth	5¼	452.7	452.7	485.3	+5.6	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
L.J. International	5¼	86.24	86.24	92.87	+0.43	-
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662255						
Merc IoM Fund	5	98.53	98.53	105.1	+0.80	6.1
Merc Intl Bond	5	50.56	50.56	53.36	+0.10	8.6
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 672444						
Secure High Income	6	1.0530	1.0530	1.1289	-0.0047	7.97
Unibank Scandinavian Fund Ltd						
23 Bucks Road, Douglas, IoM 06246 26494						
Scandinavia Fd	5	-	127.90	136.22	-	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International	$18.72		-0.27	-
Appleton Financial Advisers Ltd				
Appleton Capital Trust	94.0	100.0	-	-
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H*	$17.10	18.48	-0.0002	-
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Bodmin Boffin & Warrants	0.59	0.67	-	0.00
Bodmin Cntry & Warrants	51.12	1.27	-	0.00
Bodmin Reserve Assets	107	107	-	2.64
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling	214.38	120.1	-	5.3
DL International	$1.48	1.57	-	2.2
Equity & Law International Fund Mgs Ltd				

Equitilink International Mngt Ltd

First Aust Prime Inc Inv Co Ltd NAV July 16 C$13.04

First Aust Prime Inc Inv Co Ltd NAV July 16 US$10.95

NAV Diluted to reflect exercise of all Wrrts C$12.74 US$10.69

	Bid Price	Offer Price	+ or -	Yield Gr's
Fidelity Investment (CI) Ltd				
Sterling American	£2.491	2.622	+0.027	-
Fleming Group				
Robert Fleming Management (Jersey) Ltd				
Deutschland Inv Co NAV	DM16.53		-0.1	-
Foreign & Colonial Mngt (Jersey) Ltd				
Hypo Foreign & Colonial Reserve Asset Fd Ltd				
US$ Cash	$10.76		-	-
Sterling Cash	£12.13		-	-
US$ Bonds	$15.38		+0.04	-
Multicurrency Bonds	$20.89		+0.10	-
Sterling Bonds	£23.45		-0.02	-
D Mark Bonds	DM10.59		+0.01	-
Ecu Bonds	Ecu11.40		-	-
UK Equities	£9.63		+0.07	-
US Equities	$16.47		+0.05	-
Japanese Equities	Y532		+0.14	-
Contl Euro Equities	DM15.77		+0.11	-
UK Negative Equities	£13.76		-0.09	-
US Negative Eq	$18.11		-0.02	-
Japanese Negative Eq	Y1030		-0.26	-
Contl Eur Negative Eqs	DM-		-	-
UK Geared Equities	£-		-	-
US Geared Equities	$-		-	-
Japanese Geared Eqs	Y-		-	-
Contl Euro Geared Eqs	DM-		-	-
Gold	$10.19		+0.01	-
John Govett Management (Jersey) Ltd				
Mngr's Emg Co NAV Jul 23	$10.48		-	-
Sym Scntg Fd NAV Jul 24	$8.54		-	-
Paragon Fd NAV Jun 30	$10.54		-	-
Paramount Preferred Inc	$9.91		-	-
Hungarian Inv Co Jun 30	103.42		-	-

For Holborn Fund Mngrs see Prudential Fund Mngrs

INVESCO MIM International Limited

All Funds deal daily except where indicated.

Commercial Union Luxembourg SA – Contd.

Midland International Circuit Fund SICAV(u)

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund

Asian Convertibles & Income Fd (Cayman)

Austro-Hungary Fund Ltd

BEA Associates

Global Asset Management – Contd.

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

ORIENT Growth Fd

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

FOREIGN EXCHANGES

Fears of intervention remain

THE DOLLAR recovered ground against the D-Mark in European trading yesterday as fears of central bank intervention continued to keep the US currency off its lows, *writes James Blitz.*

On a quiet day of trading, with almost no corporate activity, the dollar rose a pfennig from its previous close to DM1.4840. Fears that the Federal Reserve might intervene in the market to keep the dollar from falling below DM1.45 continued to push the dollar higher. The currency was also boosted by rallies in the US bond and equity markets.

Rumours about US and German policy towards the dollar continued to affect the market. A suggestion circulated during the afternoon that Mr Hans Tietmeyer, the Bundesbank president, was planning a statement that Germany did not want to see the dollar lower. Although the statement never materialised, it did help the dollar break resistance at DM1.4750. In New York the US unit eased back from the London close to end at DM1.4815.

The dollar's rise against European currencies meant that the yen had a better day's trading against the D-Mark. The Japanese currency had fallen back in recent days, following the Bank of Japan's decision to cut its discount rate by ½ percentage point. Dealers also said the market is starting to turn its attention to the possibility of BoJ intervention directly in D-Mark/yen trading, which could limit D-Mark strength in coming days.

The yen closed at Y86.22 against the D-Mark, up from a previous Y86.53. Against the dollar, the yen was softer at Y128.00 compared with Y127.50 previously, but in New York firmed to Y127.81.

Sterling finished slightly firmer against the D-Mark at DM2.8450, after a previous close of DM2.8430. However, the pound's divergence from the strongest currency in the EMS grid, the Portuguese escudo, led to suggestions that the Bank of Portugal had intervened in the market, buying sterling, to keep the two currencies within their permitted divergence of 6.18 percentage points.

That intervention could not be confirmed yesterday. But one head of foreign exchange at an investment bank said the UK authorities could become concerned by the widening differential between the pound and the Spanish peseta. Yesterday the differential was at 5.93 percentage points.

The Italian lira rallied against the D-Mark yesterday morning after the Italian parliament approved by an ample majority the government's measures to cut the budget deficit. The resignation of the foreign trade minister 28 days into the Italian government's life had a negative effect on the currency in the afternoon, but the lira closed at L755.4 to the D-Mark, up from L756.2.

£ IN NEW YORK

July 29	Close	Previous Close
£ Spot	1.9210-1.9220	1.9305-1.9315
1 month	1.00-0.99pm	1.04-1.02pm
3 months	6.22-6.19pm	3.23-3.20pm
12 months	11.5-11.4pm	11.5-11.4pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 29	Previous
8.30 am	92.4	92.5
9.00 am	92.4	92.4
10.00 am	92.4	92.4
11.00 am	92.4	92.4
Noon	92.4	92.3
1.00 pm	92.4	92.3
2.00 pm	92.4	92.4
3.00 pm	92.3	92.4
4.00 pm	92.3	92.4

CURRENCY MOVEMENTS

Jul 29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.3	-19.7
U.S Dollar	60.5	-18.4
Canadian Dollar	99.0	-2.6
Austrian Schilling	111.3	+12.8
Belgian Franc	113.1	-1.0
Danish Krone	111.6	+5.1
D-Mark	121.0	+26.8
Swiss Franc	110.5	+19.1
Dutch Guilder	116.1	+17.3
French Franc	106.1	-10.8
Lira	99.0	-19.3
Yen	136.6	+72.7
Peseta	108.7	-17.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for July 28

CURRENCY RATES

Jul 29	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.750400	0.717547
U.S Dollar	3.00	1.44392	1.38501
Canadian $	5.50	1.71552	1.64331
Austrian Sch	7.50	15.0312	14.3642
Belgian Franc	8.50	44.0973	42.0454
Danish Krone	9.50	8.23684	7.85369
D-Mark	8.75	2.13484	2.04095
Dutch Guilder	8.50	2.40384	2.30216
French Franc	10¼	7.19939	6.89596
Italian Lira	13.75	N/A	1542.97
Japanese Yen	3.75	184.389	176.519
Norway Krone	–	8.41228	8.02197
Spanish Peseta	–	135.547	129.857
Swedish Krona	10.00	7.76757	7.40661
Swiss Franc	7.00	1.89009	1.80951
Greek Drach	19	N/A	250.950
Irish Punt	–	N/A	0.765367

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for July 28

OTHER CURRENCIES

Jul 29	£	$
Argentina	1.9055 - 1.9085	0.9910 - 0.9920
Australia	2.5660 - 2.5880	1.3435 - 1.3445
Brazil	7877.50 - 7882.00	4097.10 - 4097.30
Finland	7.7600 - 7.7740	4.0450 - 4.0480
Greece	346.800 - 352.350	179.730 - 182.610
Hong Kong	14.8610 - 14.8745	7.7335 - 7.7345
Iran	2717.00*	1435.00*
Korea(Sth)	1508.65 - 1533.00	785.10 - 791.30
Kuwait	0.56135 - 0.56190	0.29200 - 0.29220
Luxembourg	58.35 - 58.45	30.45 - 30.55
Malaysia	4.8000 - 4.8125	2.5005 - 2.5015
Mexico	5768.10 - 5780.70	3114.00 - 3115.00
N.Zealand	3.5240 - 3.5285	1.8325 - 1.8350
Saudi Ar	7.1955 - 7.2725	3.7495 - 3.7505
Singapore	3.0955 - 3.1030	1.6120 - 1.6130
S Af (Cm)	5.2970 - 5.3095	2.7585 - 2.7605
S Af (Fn)	7.4680 - 7.5565	3.8835 - 3.9295
Taiwan	48.00 - 48.15	24.95 - 25.05
U.A.E.	7.0455 - 7.1230	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.35 $63.75

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 29	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	173.334	-3.02	6.17	49
Spanish Peseta	133.631	129.857	-2.82	5.95	48
Belgian Franc	42.4032	42.0454	-0.84	3.84	29
D-Mark	2.05586	2.04095	-0.73	3.71	31
Dutch Guilder	2.31643	2.30216	-0.62	3.60	18
Irish Punt	0.767417	0.765367	-0.27	3.24	1
French Franc	6.89509	6.89596	0.01	2.95	-14
Danish Krone	7.84195	7.85369	0.15	2.81	-18
Italian Lira	1538.24	1542.97	0.31	2.65	-27
Sterling	0.696904	0.717547	2.96	0.00	-58

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9165 - 1.9315	1.9165 - 1.9175	1.00-0.98cpm	6.20	3.23-3.20pm	6.71
Canada	2.2745 - 2.2925	2.2745 - 2.2755	0.81-0.74cpm	4.09	2.82-2.70pm	4.85
Netherlands	3.2025 - 3.2925	3.2025 - 3.2125	par-⅛cdis	-0.23	½-¼pm	0.47
Belgium	58.35 - 58.70	58.35 - 58.45	1-4cdis	-0.51	10-1pm	0.38
Denmark	10.9225 - 10.9530	10.9225 - 10.9325	1-2oredis	-1.65	1¾-3¼dis	-0.92
Ireland	1.0645 - 1.0680	1.0660 - 1.0670	0.04-parcpm	0.23	0.08-0.02pm	0.19
Germany	2.8410 - 2.8480	2.8425 - 2.8475	par-⅛pfdis	-0.53	⅛-⅛pm	0.35
Portugal	240.30 - 241.95	240.30 - 241.30	86-193cdis	-6.95	168-406dis	-4.78
Spain	180.55 - 181.15	180.55 - 180.85	56-64cdis	-3.98	136-150dis	-3.17
Italy	2145.20 - 2154.50	2148.50 - 2149.50	12-16liredis	-7.82	29-33dis	-5.77
Norway	11.1575 - 11.1875	11.1575 - 11.1675	½-1½oredis	-1.08	½-1½dis	-0.43
France	9.5935 - 9.6195	9.6050 - 9.6150	½-¾cdis	-0.86	¼-¾dis	-0.21
Sweden	10.3000 - 10.3355	10.3000 - 10.3100	2-2⅞oredis	-2.84	5-6⅛dis	-2.16
Japan	244.75 - 245.95	244.75 - 245.75	1¼-1ypm	5.50	3⅞-3⅝pm	6.12
Austria	19.97 - 20.08	19.97 - 20.00	par-1½grodis	-0.45	4⅞-2⅞pm	0.71
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.25-6.20pm, 12 Month 11.55-11.45pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9165 - 1.9315	1.9165 - 1.9175	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jul 29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years 6-5⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 29	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.917	2.845	245.3	9.610	2.533	3.208	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.522	1	1.484	128.0	5.013	1.321	1.673	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.351	0.674	1	86.22	3.378	0.890	1.128	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.077	7.815	11.60	1000	39.18	10.33	13.08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.041	1.995	2.960	255.3	10.	2.636	3.338	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.395	0.757	1.123	96.84	3.794	1	1.266	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	0.312	0.598	0.887	76.47	2.996	0.790	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.465	0.892	1.324	114.1	4.472	1.179	1.493	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C$	0.440	0.843	1.251	107.8	4.224	1.113	1.410	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.712	3.283	4.872	420.0	16.46	4.337	5.493	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.553	1.061	1.574	135.7	5.318	1.402	1.775	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.720	1.381	2.050	176.7	6.924	1.825	2.311	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% — [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

LONDON (LIFFE) — [illegible]

CHICAGO — [illegible]

PARIS — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
104	1.61	2.43	-	0.15	0.75	-
105	0.86	1.81	-	0.40	1.08	-
106	0.32	1.27	1.69	0.87	1.49	-
107	0.10	0.86	1.25	1.63	2.04	-
108	0.03	0.53	-	-	-	-
Open Int.	134,384	236,991	8,400	114,146	64,666	5,660

Estimated volume 48,962 † Total Open Interest 564,247
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR — [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10	● Members of British Merchant Banking & Securities Houses Association.	
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

MONEY MARKETS

Period rates firmer

PERIOD rates in the sterling cash market ended firmer yesterday, due to end-of-month pressures on the market and sterling's indifferent performance on foreign exchanges.

At the month's end, commercial banks and discount houses need to show liquidity in their books in order to comply with the requirements of the Bank of England and the credit-rating agencies. Few bills were therefore offered to the market yesterday, and the short rates remained firm. By the day's end, one-week money was offered at 10⅛ per cent from a previous close of 10 per cent, while the one-month stayed unchanged at 10$\frac{1}{32}$ per cent offered.

UK clearing bank base lending rate 10 per cent from May 5, 1992

Rates from 3-months out to one-year also firmed, with nothing to take dealers' minds off anxieties that the Bundesbank might lift the Lombard rate from its current 9¾ per cent when its council next meets. All these rates ended at 10⅜ per cent from a previous close of 10$\frac{5}{16}$ per cent.

Sterling futures were bearish in the morning as sterling hovered nervously around DM2.8430. Dealers were particularly concerned that the gap in the European Monetary System's grid between sterling and its nearest competitor, the Italian lira, has now widened to 2.70 per cent. The September short sterling contract dropped 6 basis points to a low of 89.64, but rallied in the afternoon to close unchanged at 89.70.

December short sterling also dropped 4 basis points to a low of 89.85 in the morning, but performed more bullishly than the September contract in the afternoon after an American investment bank put in a large order for the contract at 89.87. The contract closed 5 basis points up on the day at 89.94.

The Bank of England's *operations in the discount market* reflected the paucity of bills on offer. The Bank operated at the established rates of 9⅞ per cent for Bands 1 and 2, and 9$\frac{15}{16}$ per cent for the repurchase agreement (repo), repayable on August 18 and 19.

In the morning, the Bank purchased £50m in the repo, revised the shortage to £1.15bn, and purchased £15m in Band 1, £72m in Band 2 and £102m in the repo. The forecast was then revised to £1.2bn. In the afternoon, the Bank purchased £354m in Band 1, £69m in Band 2 and £50m in the repo. The Bank provided late assistance of £335m.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 29) 3 months US dollars — bid 3⅝ offer 3¾ — 6 months US Dollars — bid 3¾ offer 3⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK 4pm — Treasury Bills and Bonds — [illegible]

July 29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jul 29	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): [illegible] ... 1992 ... Schemes II & III ... IV&V. 10.0 ... fixed. Finance House Base Rate 10½ from July 1, 1992 ... [illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

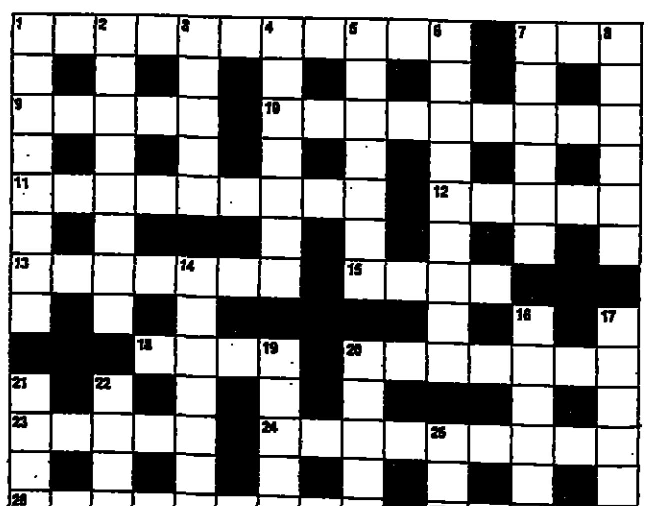
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

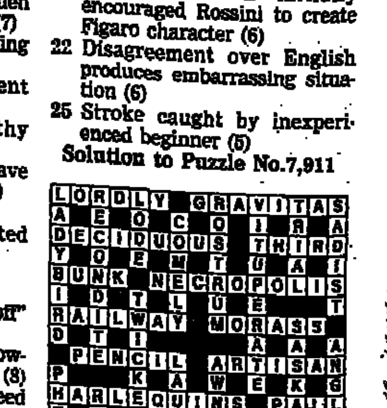
No.7,912 Set by HIGHLANDER



ACROSS
1 They don't drive special speed trains (11)
7 Suggestion from the top (8)
9 Intelligent cattless mouse (5)
10 Bill has one with golden atom (9)
11 Shy and haggard-looking (9)
12 For rent, with one inside loo (2,3)
13 Foreign capital as far as we are concerned is out of control (7)
15 Left a note behind (4)
18 At this point in the respiratory tract (4)
20 Medical man demands sudden increase before operating (7)
23 A Glaswegian's race meeting (5)
24 Dictate before document copier finishes (9)
26 Demand money for filthy letters (9)
27 Friend in Spain has to leave behind friend in France (5)
28 Grain in Sussex (8)
29 Alec Channon represented casual unconcern (11)

DOWN
1 Secret phrase was "drops off" (8)
2 Starts to draw upper allowance for the time involved (8)
3 In the turf we scattered seed (6)
4 Theatrical group has provisions for additional performances (7)
5 Tracks gunners all over the weapons store (7)
6 Watcher, they say, spotted duty list being put up (9)
7 Nothing for sweet (6)
8 One in the group wants equality (6)
14 Studied, finished first and passed (9)
16 Judgment is in code to be deciphered (8)
17 Stake takes spring from springbok (8)
19 Clear up old grassland (7)
20 Secrecy is the last resort (7)
21 Cutting remark initially encouraged Rosalind to create Figaro character (6)
22 Disagreement over English produces embarrassing situation (6)
25 Stroke caught by inexperienced beginner (5)

Solution to Puzzle No.7,911



WORLD STOCK MARKETS

CANADA

INDICES

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Wellcome	4,940,600	15¼	+ ¼
Chrysler	4,910,200	21¼	- ¼
RJR Nabisco	4,765,200	8¼	- ¼
Eastman Kodak	3,704,500	43¾	+ 1¼
Telefonos	3,564,100	46¾	+ ¾
Ford Motor	2,921,900	44¼	- 1½
Bristol Myers	2,582,500	69	+ 1¼
Gen Motors	2,540,600	41¼	+ ¼
Glaxo	2,436,700	27¼	+ ¼
Maxus Energy	2,293,700	6¼	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Jul 29	Jul 28	Jul 27
New York SE	275.760	217.950	164 680
Amex	14.869	11 472	9 931
NASDAQ	(u)	173.312	128.131
NYSE			
Issues Traded	2,321	2,319	2,291
Rises	1,343	1,386	898
Falls	524	443	809
Unchanged	454	490	584
New Highs	218	139	76
New Lows	27	25	28

CANADA

TORONTO	Jul 29	Jul 28	Jul 27	Jul 24	1992 HIGH	1992 LOW
Metals & Minerals	3081.65	3053.43	3070 65	3102.00	3238 87 (16/1)	2828.26 (8/4)
Composite	3424 60	3411.50	3396.46	3400.87	3666 00 (16/1)	3318 10 (8/4)
MONTREAL Portfolio	1803.04	1796.84	1791.45	1795.91	1937.59 (16/1)	1727 04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

Euro Top-100 (26/6/90)	860.05	847 08	840 06	840 14	976.55 (25/5)	840.06

**Saturday July 25. Taiwan Weighted Price 4018 85, Korea Comp Ex 521 76.
‡ Subject to official recalculation. *Calculated at 15 00 GMT.
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen, MIB Gen, Euro Top-100, ISE ... and DAX – 1,000, JSE Gold – 255 7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – ... Closed. (u) Unavailable. † Corrected figure

TOKYO - Most Active Stocks

Wednesday 29 July 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	7 7m	631	-61	Sato Kogyo Co	2.9m	580	-73
Okamoto Inds	6.5m	1,020	-110	Canon Inc	2.8m	1,220	-20
Clarion	3.8m	431	-100	Chiyoda Corp	2.4m	1,420	-120
Daikyo Kanko	3.3m	469	-46	Toshiba Corp	2.3m	618	-57
Mochida Pharm	3 1m	3,080	-320	Morinaga Milk	1.9m	700	-41

4:00 pm prices July 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp x	0.48	3.8	19	1391	12⅞	12½	12½	-⅛
26	18⅛	A L Labs A	0.18	1.0	72	271	18⅛	d18	18	-⅛
68¾	52⅝	AMP Inc x	1.52	2.8	21	1936	54⅞	53¾	54¾	+1⅛
60¼	60⅞	AMR				236146	66¼	65⅛	65⅞	+⅛
2⅞	1⅜	ARX			2	10	1⅜	1⅜	1⅜	
53½	32¼	ASA	2.00	5.1	26	389	40	39½	39½	-⅝
34¼	26⅛	Abbott Lab	0.60	2.0	22	1008	31⅛	30½	30¾	+⅛
13⅞	12	Abitibi Pr	0.50	3.8	7	6	13⅛	13	13⅛	+⅛
11⅝	10⅛	ACM Gvt In x	0.96	8.5		167	11⅛	11⅛	11⅛	
10⅜	9⅞	ACM GvOpp	0.94	9.8		209	9¾	9⅝	9¾	+⅛
9½	8½	ACM Gvt Sp	0.92	9.8		389	9⅜	9¼	9⅜	
11¼	10⅞	ACM Gvt Se	0.96	8.8		345	11	10⅞	10⅞	-⅛
10	8⅝	ACM Man	0.98	10.1		179	9¾	9⅝	9¾	+⅛
12⅞	10⅝	ACM Managd	1.21	10.8		257	11⅜	11⅛	11¼	+⅛
11¾	4⅞	Acme Cleve	0.40	5.8	13	191	6⅞	6¾	6⅞	+⅛
6¼	4⅞	Acme Elect			4	12	4⅞	4⅝	4⅝	-⅛
33¼	18⅛	Acuson			12	300	19	18¾	19	+⅛
19½	18⅛	Adams Expr	1.63	8.6	0	118	19	18⅝	19	+¼
48⅛	29½	Ad Micro	3.00	8.9		77	33⅞	33¼	33⅞	+⅛
21½	7½	Ad Micro P	3.00	34.8		35647	8⅝	8½	8⅝	+⅛
9⅞	6	Advest Grp	0.16	2.9	76	97	5⅞	5½	5½	-⅛
37⅞	33	Aegon ADR	1.68	4.5	6	835	37½	36¾	37	+½
47	38⅞	Aetna Lf x	2.76	6.3		80025	44⅛	43⅛	44⅛	+1⅛

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
37	28½	Xtra Corp	0.80	2.2	13	93	35⅞	35⅜	35¾	+⅛
28⅛	25¼	Yankee Egy	1.66	6.0	12	55	27⅞	27⅛	27½	
1½	½	Zapata			46	137	13/16	⅞	13/16	
11⅛	6⅜	ZenithElec			6	726	7⅞	7⅝	7⅞	
19½	14½	Zenith Nat x	1.00	5.5	81	118	18¾	17¾	18¾	+¾
7¼	6	Zenix Inc x	0.84	11.8		71	u7¼	7⅛	7⅛	
13¾	10	Zero Corp	0.40	3.5	18	208	11⅝	11⅜	11½	+⅛
38	27¾	Zurn Ind	0.88	2.9	33	520	31	29¾	30½	+⅞
14⅛	12	Zweig Fund	1.15	8.8		461	13⅛	12⅞	13⅛	+⅛
11	9½	Zweig Tod	0.96	9.1		826	10½	10⅜	10½	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices July 29

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Giant FdA	0.68	15	701	20⅝	20	20⅜	+¼
Glatfltr	1.40	15	289	24¼	23¾	24⅛	+⅞
Goldfield		2	7	⅜	⅜	⅜	
Greenman		6	105	5¼	5	5¼	
Gulf Cda	0.34	8	6	4¼	4¼	4¼	
Hasbro	0.20	19	3898	u31⅛	30¼	31	+⅞
Health Ch		8	22	1⅜	1⅜	1⅜	
Healthvst		200	39	2	2	2	
Heico Cp	0.16	16	11	12⅝	12⅝	12⅝	
Hilthaven		3	168	2½	2⅜	2½	+⅛
Nat Pont		2	195	3¼	3¼	3¼	
New Line		15	121	11	10⅞	11	
NY TimesA	0.56	32	699	28⅜	27⅝	27⅞	-⅛
NthCanOil	0.16	95	2	11⅞	11⅞	11⅞	-⅛
Numac O&G		2	6	4¼	4¼	4¼	-⅛
NV Ryan		0	10	⅜	⅜	⅜	
Odetics A		268	18	5½	5⅜	5⅜	
Oriston	0.24	30	206	30¾	29⅝	30	+¼
OAII Corp	0.14	7	20	0	d0	6⅝	
Pall Corp	0.36	27	2552	27	26¼	26⅝	-⅛
Pegasus G	0.10	35	638	16¾	16½	16¼	-¼
Vivigen		58	116	15⅛	15⅛	15¾	+⅛
WangLab C		0	178	4	d3	3	-1½
WangLab B		0	22382	2⅝	d1¾	1⅞	-1
Wetherld		17	1868	5¼	5⅝	5¾	+⅛
Westamer	0.62	9	22	20⅝	20⅝	20⅝	
WIRET	1.12	16	329	12⅞	12½	12⅝	-⅛
Worthen	0.05	10	143	21⅞	21¼	21⅞	+⅝
Xytronix		9	155	8¾	8½	8¾	+⅜

NASDAQ NATIONAL MARKET

4:00 pm prices July 29

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Telxon Fi r	0.94	22	778	26⅛	25¾	26¼	+½
York Rsch		4	2030	4	3⅝	4	+¼
ZionsUtah	1.44	10	619	57	56	56½	+1

FINANCIAL TIMES

Thursday July 30 1992

AMERICA

Dow remains strong on fall in bond yields

Wall Street

THE SHARP rally in US stocks continued yesterday after their summer torpor as the dropping bond yields at home and stronger overseas markets boosted sentiment, *writes Karen Zagor in New York.*

Bond yields showed a further fall early in the session, but finished little changed on the day. This did not discourage the equity market, however, the Dow Jones Industrial Average ending 45.12 higher at 3,379.19 for a two-day surge of 97 points.

New York SE turnover reached a heavy 278m shares. The Standard & Poor's 500 moved ahead 4.69 to 422.21, breaching its previous record high of 420.77, while the Nasdaq composite added 5.86 at 577.49.

The month is threatening to give investors whiplash. The Dow entered July on a strong note by climbing 35.58 to 3,354.10 on July 1, but by July 22 the index had retreated to 3,277.61 and it held at depressed levels before the latest buying frenzy started to drive prices forward.

This week's rally has been fed by tumbling long-term interest rates, which has triggered a flow of funds into equities. In addition, the drop in interest rates should stimulate activity in the housing market in the coming months.

Eastman Kodak climbed $1¾ to $43¾ after a delayed opening. The photographic equipment manufacturer posted better than expected second quarter earnings of $1.11 a share after the close of trading on Tuesday.

Car issues were actively traded for a second day following Chrysler's unexpectedly strong second quarter earnings. Chrysler headed towards a 52-week high in morning trading but ended the day $⅛ down at $21½ after adding $1⅝ on Tuesday. The company posted net income of $178m for the quarter against a loss of $212m a year earlier.

Results were less rosy at Ford, which unveiled second quarter net earnings of $502.4m, or 53 cents a share, against a loss of $323.5m, or 68 cents, a year ago. The earnings were below expectations of about 99 cents a share, but analysts noted that a higher than expected tax charge cut into Ford's profits. Its shares eased $1⅛ to $41⅝.

Trading was also active in General Motors, which added $⅛ at $41⅛. The company has not yet reported its results for the period.

Bristol-Myers Squibb climbed $1¾ to $69 on news that the big pharmaceuticals company plans to sell its Drackett household products business, which makes Drano and Windex. In addition, an analyst at Brown Brothers reinstated a "buy" rating on the stock.

Wang Laboratories fell $1 to $1⅞ on the American Stock Exchange following press reports that the embattled computer company might violate some debt covenants when it reports its results for the fourth quarter ended June 30.

Canada

TORONTO stocks moved higher in response to gains on most other world markets, but the rise was limited by weakness in the gold and transportation sectors.

The TSE 300 index put on 13.1 to 3,424.6 as rises led declines by 275 to 244. Volume came to 31.2m shares, well ahead of Tuesday's 23.1m.

SOUTH AFRICA

JOHANNESBURG was lifted by blue chip stocks and a higher futures market as the overall index gained 52 or 1.5 per cent to 3,417. The Industrial index advanced 70 to 4,199 while gold shares eased 15 to 1,095.

EUROPE

New York's overnight gain lifts the Continent

WALL STREET'S overnight gain lifted most bourses yesterday, *writes Our Markets Staff.*

FRANKFURT saw foreign institutions return to the market as the view began to take hold that the Bundesbank might not have to increase the Lombard rate. Some analysts believe that the better-than-expected inflation figures released last week may lead to a gradual easing in monetary policy by late summer.

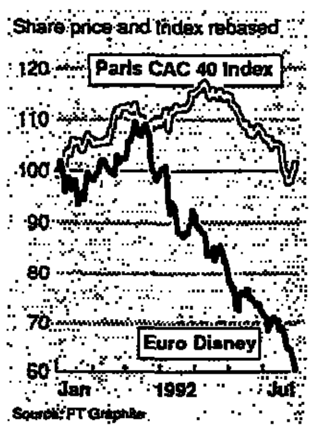
At midsession the FAZ index was up 2.09 at 643.05, extending into a gain of 17.51 in the DAX index to 1,628.15 by the close. Turnover rose to DM5.9bn from DM4.5bn.

Disappointing half-year results from Commerzbank, the first of the big three banks to report, saw its shares shed DM1.20 to DM238. Dresdner Bank, which is due to report on August 4, put on DM2.80 to DM327.50 and Deutsche Bank was DM4 firmer at DM647.50. Bayerische Hypobank, which reported good figures on Tuesday, gained another DM9.50 to DM382.50.

PARIS ignored an early decline in the bond market and the CAC 40 index rose 32.63 or 1.8 per cent to 1,801.63 in turnover of FFr2.5bn.

Blue chips led the advance as Michelin added FFr4.50 to FFr215. Total put on FFr3.20 to FFr233.20 and Elf rose FFr7.50 to FFr348. Underperformers also joined in, with Schneider adding FFr34 or 5.8 per cent to FFr617 and Lafarge up FFr13.80 to FFr319.

Euro Disney dropped FFr2.55 or 2.7 per cent to FFr90.65 after Airtours, the UK package holiday operator, said it might end its Euro Disney programme because of poor bookings and policy changes by the theme park. Some analysts played down the announcement, which they viewed as an attempt by Airtours to put pressure on Euro Disney during the current 1993 price negotiations. The stock was also hit by rumours, later denied, that Euro Disney would have to raise its VAT rate to 15 per cent, the new European Community minimum, from its current 5.5 per cent.



FT-SE Eurotrack 100 - Jul 29							
Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1066.70	1068.02	1068.11	1070.26	1070.62	1072.59	1075.69	1077.69
Day's High 1077.88				Day's Low 1066.70			
Jul 28	Jul 27	Jul 24	Jul 23	Jul 22			
1058.33	1056.98	1052.53	1059.53	1060.97			

Base value 1000 (26/10/90).

BSN also bucked the firmer trend, losing FFr2 to FFr1,017 while Moulinex fell FFr7.70 or 5.8 per cent to FFr126.30, a new 1992 low.

MILAN continued its technical upswing but came back slightly by the end of the session. However, news in the afternoon that the government had won a confidence vote in the lower house on its plans to cut the state deficit by L30 trillion in 1992 lifted Italian shares traded in London. The Comit index rose 1.13 to 401.14 in turnover estimated at L110bn after L62.2bn.

AMSTERDAM was stronger on technical trading and a firmer Wall Street. The CBS Tendency index closed up 2.5 at 117.5.

Blue chip stocks improved with Royal Dutch up Fl 2 at Fl 144.80, Unilever rising Fl 4.90 to Fl 183 and Elsevier reversing Tuesday's losses with a gain of Fl 3.10 to Fl 106.60.

Fokker's shares were suspended briefly prior to its announcement that it is to issue 13.2m new shares to be placed in a new holding company to be controlled by Deutsche Aerospace. Fokker's shares closed up 30 cents at Fl 36.20.

Chemical groups Akzo and DSM enjoyed another good performance ahead of the latter's half year results today. Akzo advanced Fl 4 to Fl 143 and DSM saw its shares gain Fl 1 to Fl 100.40.

STOCKHOLM advanced for the third consecutive session as the Affärsvärlden General index rose 9.4 to 864.1 in turnover of SKr285m after SKr161m. Astra A shares rose SKr12 to SKr549 on news of good US sales for its anti-ulcer medicine, Losec.

ZURICH was buoyed by lower domestic interest rates. The SMI index advanced 35.3 or 2 per cent to 1,812.7. The banking sector remained strong as Union Bank reported satisfactory half-year earnings. Its bearers gained SFr14 to SFr712.

MADRID rose in active trading helped by some pleasing corporate results. The general index put on 4.58 to 215.93. Endesa gained Pta125 or 4 per cent to Pta3,225 after announcing a 17 per cent rise in first half earnings.

VIENNA's ATX index rebounded 17.43 or 2.25 per cent to 790.85.

Austrian Airlines fell Sch20 to Sch1,710, a year low, on reports that it may have to cut its dividend this year.

ISTANBUL advanced as more banks lowered their deposit interest rates. The 75-share index closed up 34.28 at 4,200.38 in turnover of TL244bn.

ASIA PACIFIC

Nikkei average falls on selling of speculative stocks

Tokyo

THE Nikkei average resumed its fall to set a six-year low as selling of speculative stocks by dealers depressed the market, *writes Emiko Terazono in Tokyo.*

The 225-issue average lost 330.69 to 15,095.95, the lowest level since April 8, 1986. The index moved up in the morning in response to Tuesday's sharp rally on Wall Street, registering a high for the day of 15,605.98. Subsequent selling by investment trusts and dealers pushed share prices down, and the Nikkei dropped to a session's low of 15,024.59 in the afternoon.

Volume picked up to 250m shares from 166m but trading by institutional investors was minimal. Declines overwhelmed advances by 851 to 116, with 119 issues unchanged. The Topix index declined 19.48 to a low for the year of 1,170.93, but in London the ISE/Nikkei 50 index rose 2.45 to 928.17.

Traders said although Monday's discount rate cut had lowered yields in the bond and money markets, liquidity failed to improve in the stock market. Short-term rates were led lower by the yield on three-month certificates of deposit, which fell below 4 per cent for the first time since June 1987.

Mrs Mineko Sasaki-Smith, head of research at Credit Suisse, said a sustainable liquidity-driven bull market could not be prompted by cuts in the official discount rate: "Investors are convinced that stocks cannot offer capital gains."

Active support from the Big Four brokers – Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities – lifted the Nikkei from its intraday low. Analysts believe that if it falls below 15,000, hidden gains on stocks held by leading life assurers would be eroded. Ms Kathy Matsui, strategist at Barclays de Zoete Wedd, said the deterioration of assets at large institutional investors would disturb financial authorities.

Dealers liquidated positions in speculative theme stocks. Meiji Milk Products, again the day's most active issue, dropped Y61 to Y831, and Okamoto Industries, the condom maker, fell Y110 to Y1,020.

Clarion, a speculative favourite, plunged Y100 to Y431. Traders said investors who had bought the issue on margin in March, when the stock attained a high for the year of Y1,360, were unloading their holdings ahead of the margin settlement.

Construction issues were weak on worries about loan guarantees extended to affiliates and other small contractors. Sato Kogyo plummeted Y73 to Y580, while Obayashi shed Y23 to Y482. Daikyo, the condominium developer, lost Y46 to Y499 on worries about its financial stability.

The fall in short-term rates raised hopes of higher profit margins at banks. Industrial Bank of Japan improved Y10 to Y1,630 and Fuji Bank put on Y20 to Y1,280.

In Osaka, the OSE average declined 440.29 to 17,136.39 in volume of 25m shares, as selling by margin buyers pushed share prices down.

Roundup

THE REGION'S markets were mixed yesterday as the renewed weakness in Tokyo weighed on sentiment.

HONG KONG finished higher on late bargain hunting. The Hang Seng index appreciated 74.66 to 5,857.29 in turnover of HK$2.7bn.

HSBC Holdings led the actives list and advanced HK$1 to HK$53, followed by Hutchison Whampoa, up 30 cents at HK$16.30. Hang Seng Bank rose HK$1 to HK$53.50.

TAIWAN remained weak, although there was some activity in the paper sector on forecasts of better earnings. The weighted index slipped 11.78 to 3,947.32 in T$21.47bn turnover.

Yuen Foong Yu, the leading paper maker, added T$2.10 at T$32.50 after reporting first-half pre-tax profits of T$500m, and Taiwan Paper gained 80 cents to T$28.90.

MANILA gained ground on some positive news in the oil sector. The composite index rose 7.64 to 1,485.31 in combined turnover of 243m pesos. Philippine National Bank firmed 5 pesos to 302.50 pesos and PLDT put on 20 pesos to 1,070 pesos.

AUSTRALIA came off earlier highs after Tokyo's fall, the All Ordinaries index ending a net 6.9 up at 1,612.3. Turnover was a low A$352m. Sentiment was helped by the release of second-quarter inflation data showing a fall in the consumer price index.

Advance Bank moved forward 40 cents to A$5.60 after releasing better than expected earnings for 1991/92.

NEW ZEALAND was dragged lower by a fall in Fletcher Challenge. The NZSE-40 index lost 2.94 to 1,528.48, having earlier risen to 1,541.68. Turnover came to NZ$25.6m.

Fletcher shed 9 cents to NZ$3.17 on news that its Australian division will lose A$44.6m on the sale of property in Melbourne.

BANGKOK advanced as Thai Airways put on Bt4 to Bt57.50. The SET index rose 4.01 to 736.58 in turnover of Bt4.9bn.

SEOUL's composite index fell 5.61 to 508.84 in turnover of Won99bn.

SINGAPORE's Straits Times Industrial index rose 17.06, or 1.2 per cent, to 1,429.59. Sembawang Shipyard gained 40 cents to S$7.05 after revealing good half-year results on Tuesday.

KUALA LUMPUR rebounded after a four-day fall and the composite index closed 4.94 better at 590.71.

BOMBAY reversed a two-day rally and the BSE index receded 75.32, or 2.6 per cent, to 2,755.25.

A theory to tackle short-termism

Investors should manage their acquisitions, says **Matthew Kaminski**

American institutional investors should buy bigger stakes in fewer corporations and play major roles in the management of their acquisitions.

So goes the new thinking on tackling the root causes of "short-termism" – the American business practice often cited as a key to declining US competitiveness. The latest exponent is Mr Michael Porter, a professor at Harvard Business School, who directed a study of US investment.*

Mr Porter argues that investment behaviour of pension funds, mutual funds and insurance companies – which in 1990 held 60 per cent of total US equity – produces a destructive emphasis on quarterly and annual returns. To minimise risk and maximise profit, institutions shift funds from one company to another, looking for the quick kill. They hold stocks on average for less than two years.

This behaviour pressures corporate managers to produce measurable short-term returns. When budgeting projects for investment, too many overlook "soft asset" investments, such as employee training and R & D, whose benefits accrue slowly over time but are sorely needed to ensure a company's long-term competitive position.

The process is self-defeating.

The first step towards change is to make large investors active and informed owners, so they hold a stake in a company's future prosperity.

Mr Porter says institutional investors "are trapped in a system that undermines the long-term earning power of the American companies on which they must ultimately depend for the bulk of their portfolio investments".

The first step towards change is to make large investors active and informed owners: with board seats and access to "inside" information, they would hold a stake in a company's future prosperity.

At the same time, corporate managers must be encouraged to plan for the long term: one suggested reform ties incentive pay to improving a company's competitive position. Only then would the goals of owners and managers be aligned.

Sounds good, but many practitioners doubt that either the government or investors will swallow such a strong palliative. Fund managers cherish the ability to "get out the door fast in a messy situation", says Mr John Rekenthaler, editor of Morningstar Mutual Funds. Active involvement in corporate governance is "difficult, complicated and expensive".

At Boston's Fidelity Investments, America's largest mutual fund house which juggles $65bn of stock, the group's $19.75bn Fidelity Magellan fund's latest portfolio turnover rate was 132 per cent, ahead of the national average which, now at 93 per cent, has risen steadily over the decade. If it started buying larger stakes in fewer companies (and then had to monitor them) the company says it would be less safe and less liquid.

Labour groups are worried that asking pension funds to make riskier investments – Mr Porter thinks they should be allowed to own up to 20 per cent of a company, against 10 per cent the law currently permits – could undermine the security of the pension fund members. "Prudent investment policy requires diversified investment," says Mr Howard Samuel, president of the Industrial Union Department at the AFL-CIO, the US trade union co-ordinating body.

**Capital Choices: Changing the Way America Invests in Industry. $40, $2.50 shipping and handling within US, $6 overseas. Council on Competitiveness, 900, 17th Street NW, Suite 1050, Washington DC 20006*

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 29 1992								TUESDAY JULY 28 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	141.85	+0.4	109.71	114.69	109.45	126.81	+0.4	4.30	141.29	108.62	113.96	108.28	126.26	153.68	140.94	148.41
Austria (19)	154.86	+1.6	119.76	125.20	119.48	119.07	+1.8	2.45	152.40	117.16	122.93	116.79	116.95	186.70	150.55	174.88
Belgium (42)	146.58	+0.2	113.37	118.50	113.09	110.25	+0.4	5.58	146.26	112.44	117.96	112.08	109.83	152.27	135.87	128.98
Canada (114)	127.94	+0.4	98.95	103.43	98.71	109.97	+0.3	3.19	127.39	97.94	102.75	97.62	109.59	142.12	124.32	139.78
Denmark (35)	239.81	-0.2	185.46	193.88	185.02	185.91	+0.3	1.89	240.24	184.69	193.77	184.10	185.42	273.94	226.81	254.03
Finland (15)	70.58	+0.2	54.59	57.07	54.46	59.94	+0.3	2.36	70.47	54.18	56.84	54.00	59.76	89.80	70.36	99.05
France (104)	159.60	+1.0	123.43	129.03	123.13	125.49	+1.6	3.74	158.08	121.53	127.50	121.13	123.49	168.75	148.06	129.44
Germany (64)	120.17	-0.4	92.94	97.17	92.72	92.72	+0.3	2.47	120.62	92.73	97.30	92.43	92.43	129.89	114.67	107.43
Hong Kong (54)	243.77	+1.0	188.53	197.08	188.09	242.05	+1.0	3.39	241.32	185.52	194.64	184.94	239.70	259.55	176.36	167.78
Ireland (16)	158.26	+0.6	122.40	127.95	122.10	123.85	+1.0	4.26	157.26	120.90	126.84	120.51	122.59	173.71	151.78	165.38
Italy (78)	62.06	+0.0	48.00	50.18	47.88	51.96	+0.5	4.02	62.07	47.72	50.07	47.57	51.68	80.86	61.30	74.93
Japan (473)	90.27	-1.7	69.81	72.98	69.65	72.98	-1.4	1.17	91.79	70.57	74.04	70.35	74.04	140.95	88.70	132.66
Malaysia (69)	239.20	+0.5	185.00	193.38	184.55	230.41	+0.5	2.72	238.01	182.98	191.97	182.39	229.17	250.47	212.49	226.35
Mexico (18)	1368.15	+5.0	1058.12	1106.12	1055.57	4658.88	+5.0	1.29	1303.41	1002.03	1051.30	998.64	4438.40	1789.77	1303.41	1127.87
Netherland (25)	161.34	+1.0	124.78	130.44	124.48	123.23	+1.7	4.55	159.72	122.79	128.83	122.40	121.19	167.29	147.88	139.18
New Zealand (14)	45.42	-0.6	35.13	36.72	35.04	44.23	-0.5	5.14	45.69	35.13	36.86	35.02	44.43	48.52	42.01	48.22
Norway (22)	170.84	-0.5	132.12	138.12	131.81	135.01	-0.1	1.87	171.72	132.02	138.51	131.60	135.13	192.95	161.26	197.95
Singapore (38)	203.78	+0.8	157.60	164.75	157.22	151.43	+0.7	2.19	202.12	155.38	163.03	154.89	150.33	229.63	192.76	197.17
South Africa (61)	200.72	+1.8	155.24	162.28	154.86	171.39	+1.9	3.01	197.22	151.62	159.07	151.13	168.22	263.60	194.69	244.51
Spain (49)	139.77	+2.1	108.10	113.00	107.83	99.60	+2.3	5.89	136.91	105.25	110.43	104.92	97.55	161.72	136.49	146.87
Sweden (23)	189.44	+1.0	146.51	153.16	146.16	150.74	+1.4	2.70	187.52	144.16	151.25	143.71	148.59	200.28	173.09	191.38
Switzerland (62)	112.38	+0.4	86.91	90.86	86.71	92.03	+1.7	2.33	111.94	86.06	90.29	85.79	90.46	113.88	95.99	93.04
United Kingdom (228)	184.26	+1.3	142.51	148.96	142.15	142.51	+1.9	5.22	181.87	139.82	146.68	139.36	139.82	200.07	165.85	174.13
USA (522)	171.94	+1.1	132.98	139.02	132.67	171.94	+1.1	2.91	170.11	130.78	137.22	130.37	170.11	171.94	160.92	157.15
Europe (789)	148.27	+0.8	114.67	119.88	114.40	114.93	+1.5	4.21	147.04	113.04	118.60	112.69	113.26	156.88	139.31	137.13
Nordic (102)	176.25	+0.5	136.31	142.49	135.98	133.79	+0.9	2.35	175.44	134.87	141.50	134.44	132.61	188.52	169.29	187.05
Pacific Basin (717)	97.29	-1.3	75.24	78.66	75.06	79.63	-1.1	1.55	98.58	75.79	79.51	75.55	80.52	141.97	94.40	133.92
Euro-Pacific (1506)	117.91	-0.2	91.19	95.32	90.96	94.24	+0.2	2.90	118.18	90.85	95.31	90.56	94.06	145.21	113.80	135.53
North America (636)	169.19	+1.0	130.85	136.80	130.56	167.72	+1.0	2.92	167.43	128.72	135.06	128.33	165.99	169.69	158.70	155.99
Europe Ex. UK (561)	126.49	+0.5	97.82	102.28	97.61	99.02	+1.2	3.48	125.87	96.76	101.54	96.48	97.89	132.98	121.81	115.17
Pacific Ex. Japan (244)	166.55	+0.6	128.81	134.67	128.51	148.68	+0.7	3.61	165.48	127.22	133.50	126.83	147.72	175.31	149.00	146.41
World Ex. US (1699)	119.92	-0.1	92.74	96.96	92.52	96.70	+0.3	2.90	120.06	92.30	96.85	92.01	96.44	146.91	116.45	137.41
World Ex. UK (1993)	132.03	+0.3	102.11	106.75	101.87	117.31	+0.4	2.60	131.68	101.24	106.22	100.92	116.80	150.58	127.21	140.06
World Ex. So. Af. (2160)	136.15	+0.4	105.30	110.09	105.06	119.17	+0.6	2.90	135.66	104.29	109.43	103.97	118.46	153.05	130.04	142.37
World Ex. Japan (1748)	162.12	+1.0	125.39	131.09	125.10	146.56	+1.2	3.41	160.54	123.42	129.50	123.04	144.80	165.40	153.20	149.89
The World Index (2221)	136.54	+0.4	105.60	110.39	105.35	119.65	+0.6	2.90	136.02	104.57	109.71	104.24	118.92	153.70	130.66	143.04

Constituent change with effect 29/7/92: Deletion: Hoesch (Germany).